

Registered number 07966837

Murphy Eltel JV Limited

Directors' report and financial statements

For the year ended 31 December 2020

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Directors and advisers

Directors	G M Carr P C Grammer J Ledwidge
Company Secretary	N A Walmsley
Registered number	07966837
Registered office	Hiview House Highgate Road London NW5 1TN
Independent auditors	RSM UK Audit LLP Marlborough House Victoria Road South Chelmsford Essex CM1 1LN
Bankers	NatWest Bank PLC 16 South Parade Nottingham NG1 2JX

Strategic report

Principal activities and business review

The company undertakes construction; repairs and upgrade work to electricity pylons and conductors. Currently the company is delivering the Richborough overhead line connection project for National Grid ("Richborough contract") being the construction and installation of a new 20km pylon line replacing an existing line which is to be decommissioned following a proving period following successful completion of the new line.

Following the completion of the infrastructure installation in 2018, demobilisation from site was completed early 2019 with work recommencing in 2021 to decommission the existing infrastructure.

The protracted period between completion of the installation of the new infrastructure in November 2018 and the demolition of the existing infrastructure was contractually required in order to prove reliability of the new line prior to the dismantling of the existing line. The second phase of the contract has recommenced in 2021 and is expected to be completed by year end 2021.

As such the level of activity and support required by the company during 2020 was minimal, and as there had been minimal mobilisation of resources, the revenues in the year were lower than 2019. This is evidenced by a reduction of revenue from £4,969k to £1,932k, and a reduction of Gross Profit from £913k (18%) to a gross loss of £222k (-11%). The gross loss is as a result of depreciation, which is an unrecoverable cost from National Grid, being a fixed cost and not reducing in line with volume activity in the year.

Net Profit also reduced in line with activity, with a Net loss in the year of £390k in comparison with a Net Profit of £520k in 2019.

Trade receivables and payables balances have marginally reduced in 2020 in comparison with 2019, again as a result of reduced activity in line with the contract.

Future developments and outlook

In addition to completion of its current contract, the Company continues to assess opportunities for future work within the UK and Ireland under a framework agreement with National Grid as there are often minor overhead line modification works in association with already procured projects. National Grid have also recently indicated that they intend to procure major new overhead line construction projects outside the traditional framework.

Key performance indicators

	2020	2019
	£'000	£'000
Revenue	1,932	4,969
(Loss) / profit before taxation	(379)	646
Cash and cash equivalents	7,880	7,027
Net assets	1,191	1,581
Contract margin	5.34%	5.29%

Turnover and profit before tax have decreased in line with reduced activity on the National Grid contract.

Strategic report (continued)

Principal risks and uncertainties

The company directors recognise the risk that future work under the current framework agreement is largely dependent on its current sole customer, National Grid, although work may be bid for and awarded by other electricity distributors. In addition the company is exposed to a certain level of credit risk from National Grid, but this is mitigated through monitoring the timeliness of cash receipts and ongoing dialogue between the company's commercial team and the customer. There is an element of foreign exchange risk as certain suppliers invoice in Polish Zloty. However, this risk is minimal as there is an agreement in place with National Grid for the company to charge those amounts onto them in Polish Zloty, with receipts from National Grid typically being in advance of payment out to suppliers, effectively passing the foreign exchange risk onto the end customer.

The company continues to concentrate its operations on the core activities noted above. 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.

The impact of Brexit on the business is not of significant concern to the directors. The infrastructure work being provided for our client is essential for the functioning of the UK's economy and society, and in the opinion of the directors, is unlikely to be affected by politics or spending resulting from Brexit. The most significant impact of Brexit on the Company will be the reduced movement of the current and future workforce that the Company engages with. However, the Board is working to minimise the impact of this.

This report was approved by the board on 17th September 2021 and signed on its behalf.

G M Carr
Director



Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2020.

Results and dividends

The loss for the year was £390,000 (2019: profit of £520,000). The directors do not recommend the payment of a dividend (2019: £nil).

Future developments and outlook

An indication of the likely future developments and outlook are provided in the Strategic report.

Directors

The directors who held office during the year and up to the date of this report were as follows:

G M Carr	
P C Grammer	(Appointed 28 May 2020)
C M Green	(Resigned 28 May 2020)
C Wittneven	(Resigned 18 December 2020)
J Ledwidge	(Appointed 1 February 2021)
J Szcześniak	(Resigned 18 December 2020)

Political donations

The Company made no political donations during the year (2019: £nil).

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.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. The directors have elected under company law to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and performance of the company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 the financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' report (continued)

Statement of directors' responsibilities (continued)

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 requirements of 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.

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 intermediate 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 directors have considered what impact the Covid-19 pandemic will have on the Group headed by J. Murphy & Sons Limited and prepared cashflow forecasts for the period to December 2022 (the review period), showing a base case, a downside scenario and a reverse stress test. The key assumptions in the base case relate to 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 base case demonstrates comfortable levels of cash resources throughout the review period. Performance in 2021 to date is in line with the base case. The downside scenario demonstrates the effect of reduced order intake and reduced margin. The downside scenario was designed to demonstrate a pessimistic downside and shows that sufficient cash headroom can be maintained throughout the review period. The reverse stress test was designed to determine what would have to happen to fully deplete existing cash resources. This scenario is considered remote given the cash resources of the company, the strength of the underlying infrastructure business, the existing order book, and the quality of forecasting and contract management procedures.

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.

Subsequent events

In July 2021, all of the Company's plant and machinery were sold to a fellow J Murphy & Sons Limited group subsidiary, Murphy Plant Limited, at their carrying value.

While operations are ongoing to complete the Richmond project by the end of 2021, the Company has not been, to date, adversely affected by the ongoing Covid-19 pandemic.

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.

Directors' report (continued)

Independent auditors

At the next General Meeting, it will be proposed for the auditors, RSM LLP, be re-appointed in accordance with section 485 of the Companies Act 2006.

By order of the board

G M Carr
Director

A large, stylized handwritten signature in black ink, appearing to be 'G M Carr', written over a horizontal line.

Hiview House
Highgate Road
London NW5 1TN
United Kingdom

17th September 2021

Independent auditor's report to the members of Murphy Eltel JV Limited

Opinion

We have audited the financial statements of Murphy Eltel JV Limited (the 'company') for the year ended 31 December 2020 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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. 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

Independent auditor's report to the members of Murphy Eltel JV Limited (continued)

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 or the 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 pages 6 and 7, 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.

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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

Independent auditor's report to the members of Murphy Eltel JV Limited (continued)

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are IFRS, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

We have not identified any significant indirect laws and regulations critical to the company's operations.

The audit engagement team identified the risk of management override of controls and management bias in accounting estimates relating to revenue recognition on long term contracts as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business. We evaluated whether there was evidence of bias by management in accounting estimates relating to revenue recognition on long term contracts by challenging assumptions and judgements made by management in relation to contract accounting, including the expected margin through assessment of post year end performance and stage of completion, through discussions with the relevant individuals and inspection of year end valuations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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.

RSM UK AUDIT LLP

NICHOLAS CATTINI (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Marlborough House
Victoria Road South
Chelmsford
Essex
CM1 1LN
Date 20 September 2021

Income Statement
for the year ended 31 December 2020

	<i>Note</i>	2020 £000	2019 £000
Revenue	5	1,932	4,969
Cost of sales		(2,154)	(4,056)
Gross (loss) / profit		(222)	913
Administrative expenses		(157)	(281)
Operating (loss) / profit	6	(379)	632
Interest receivable	9	-	30
Interest payable and similar charges	10	-	(16)
(Loss) / profit on ordinary activities before taxation		(379)	646
Taxation	11	(11)	(126)
(Loss) / profit for the year		(390)	520
Total comprehensive (loss) / profit for the year		(390)	520

All results relate to continuing operations.

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

The notes on pages 16 to 28 form part of these financial statements.

Statement of Financial Position
as at 31 December 2020

	<i>Note</i>	2020 £000	2020 £000	2019 £000	2019 £000
Non-current assets					
Property, plant and equipment	<i>12</i>	832		1,098	
Deferred tax assets	<i>17</i>	-		11	
Trade receivables	<i>13</i>	1,971		1,937	
			2,803		3,046
Current assets					
Trade and other receivables	<i>14</i>	45		741	
Cash and cash equivalents		7,880		7,027	
			7,925		7,768
Total assets			10,728		10,814
Current liabilities					
Trade and other payables	<i>15</i>	(1,372)		(1,758)	
Contract liabilities	<i>16</i>	(8,165)		(7,475)	
Total liabilities			(9,537)		(9,233)
Net assets			1,191		1,581
Equity					
Share capital	<i>18</i>		531		531
Retained earnings			660		1,050
Total shareholder's funds			1,191		1,581

These financial statements were approved by the board of directors on 17th September 2021 and were signed on its behalf by:

G M Carr
Director



Company registered number: 07966837

The notes on pages 16 to 28 form part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2020

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 31 December 2018	531	530	1,061
Total comprehensive income for the year			
Profit for the year	-	520	520
Balance at 31 December 2019	531	1,050	1,581
Total comprehensive income for the year			
Loss for the year	-	(390)	(390)
Balance at 31 December 2020	531	660	1,191

The notes on pages 16 to 28 form part of these financial statements.

Cash Flow Statement
for the year ended 31 December 2020

	<i>Note</i>	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Cash flows from operating activities			
(Loss) / profit for the year		(390)	520
Adjustment for:			
Depreciation	12	348	360
		<hr/>	<hr/>
		(42)	880
Decrease/(increase) in deferred tax asset		11	3
Decrease/(increase) in trade and other receivables		662	7,279
(Decrease)/increase in trade and other payables		304	(15,936)
Purchase of plant and equipment		(82)	-
		<hr/>	<hr/>
Net cash generated (used in)/from operating activities		895	(8,654)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		853	(7,774)
Cash and cash equivalents at the beginning of the year		7,027	14,801
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year		7,880	7,027
		<hr/>	<hr/>

The notes on pages 16 to 28 form part of these financial statements.

Notes to the financial statements

1 General information

Murphy Eltel JV Limited (the "company") is a company incorporated and domiciled in the UK.

The company is limited by shares.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements are presented in pounds sterling, which is the functional currency of the company and are presented to the nearest thousand pounds.

2 New standards and standards issued but not yet effective

There are no new standards, interpretations and amendments effective from 1 January 2020 or 1 January 2021 that the directors believe will have a material impact on the Company's financial statements.

3 Accounting policies

3.1 Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets are stated at the lower of cost and fair value less costs to sell.

3.2 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 intermediate 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 directors have considered what impact the Covid-19 pandemic will have on the Group headed by J. Murphy & Sons Limited and prepared cashflow forecasts for the period to December 2022 (the review period), showing a base case, a downside scenario and a reverse stress test. The key assumptions in the base case relate to 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 base case demonstrates comfortable levels of cash resources throughout the review period. Performance in 2021 to date is in line with the base case. The downside scenario demonstrates the effect of reduced order intake and reduced margin. The downside scenario was designed to demonstrate a pessimistic downside and shows that sufficient cash headroom can be maintained throughout the review period. The reverse stress test was designed to determine what would have to happen to fully deplete existing cash resources. This scenario is considered remote given the cash resources of the company, the strength of the underlying infrastructure business, the existing order book, and the quality of forecasting and contract management procedures.

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.

3.3 Foreign currency

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Notes to the financial statements (continued)

3 Accounting policies (continued)

3.4 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new models for classification of financial assets and accounting for credit losses. The standard is effective for periods beginning on or after 1 January 2018. The company has elected to apply the exemption in IFRS 9 and has not restated prior periods in the year of initial application of the standard.

In applying IFRS 9 the company considered the probability of a default occurring over the contractual life of its trade receivables and contract asset balances on initial recognition of those balances.

Based on the company's assessment, there have been no material financial impacts from the application of this standard.

3.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Where applicable, bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

3.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful life is as follows:

Plant and equipment: 5 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

3.7 Contract assets and contract liabilities

Contract assets represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date (see section 3.9) less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Revenue on variations and claims is only recognised when it is highly probable that it will not result in the reversal of revenue. Cost includes all expenditure related directly to specific projects.

Where amounts recognised in revenue exceed amounts invoiced, such Contract assets are presented separately in the statement of financial position. If payments received from customers exceed the income recognised, then the difference is presented as contract liabilities separately in the statement of financial position.

Notes to the financial statements (continued)

3 Accounting policies (continued)

3.8 Impairment excluding deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.9 Revenue

Revenue represents the net amount receivable, excluding value added tax, for goods and services supplied to all customers. In respect of long term contracting activities, revenue reflects the value of work executed during the year (including attributable profit) on a percentage of completion basis as calculated by reference to costs to date as a proportion of total expected costs, in line with IFRS15 which requires revenue to be recognised as contractual obligations are fulfilled. Contract losses are recognised in full as soon as they are foreseen.

In terms of IFRS 15, an entity shall account for a contract with a customer that is within the scope of this Standard only when all of the following criteria are met:

- a) the parties to the contract have approved the contract (in writing, orally, or in accordance with other customary business practices) and are committed to perform their respective obligations;
- b) the entity can identify each party's rights regarding the goods or services to be transferred;
- c) the entity can identify the payment terms for the goods or services to be transferred;
- d) the contract has commercial substance; and
- e) it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The contract with National Grid has been reviewed in order to assess the performance obligations to be delivered to the customer. There was no adjustment in the covered reporting period as a result of the application of IFRS 15 in 2018.

3.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

4 Critical accounting judgements and estimation uncertainty

In preparing 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:

Notes to the financial statements (continued)

4 Critical accounting judgements and estimation uncertainty (continued)

(a) Revenue

Revenue is recognised based on an estimation of the contract progress to date, on a contract-by-contract basis in accordance with the terms of the contract. This is usually measured by reference to the ratio of current costs incurred to an estimate of the total costs to complete the contract. Contract profit on the revenue recognised and any anticipated contract losses are recorded in the period using estimations for total contract revenue (including variations) and the aforementioned estimate of total costs to complete, which take into account likely contract risks. The estimates used in revenue and profit recognition involve considerable management judgement (for example, timeframe to completion, contract variations, technical complexity of risks, subcontractor claims), which are regularly reviewed in light of new information and so may result in changes to the level of revenue and profit recognised in the next financial year.

(b) Carrying value of trade receivables, contract assets and other receivables

The company makes an estimate of the recoverable value of trade receivables, contract assets and other receivables. When assessing impairment of these amounts, management considers factors including the current credit rating of the trade debtors, the ageing profile of the trade receivables and contract assets, the extent of any factors affecting successful conclusion of a contract (including disputes) and historical experience. Allowance for doubtful debt provisions against billed debtors, contract assets and other receivables are made on a specific basis, based on estimates of irrecoverability determined by market knowledge and past experience.

(c) Embedded foreign currency derivatives

As part of the Richborough contract, the Company is paid in Polish Zloty by the customer for work undertaken by a related party subcontractor, Eltel Networks Energetyka S.A. The Company in turn pays Eltel Networks Energetyka S.A. in Polish Zloty. Due to this arrangement not being in the functional currency of the Company, the directors have assessed that this constitutes an embedded foreign currency derivative. The directors have determined that Eltel Networks Energetyka S.A. is a substantial party to the contract and therefore this embedded derivative should not be separated from the host contract under IFRS 9. There were no significant sums due under this contract as at 31 December 2020.

5 Revenue

All contracts with customers are referred to below as construction contracts.

During the financial year ended 31 December 2020, Murphy Eltel JV Limited had one active contract, being the Richborough contract. The performance obligation is satisfied over time and payment is generally due within thirty days. As at 1 January 2020 and as at the year ended 31 December 2020, the contract liabilities were related to the Richborough contract in its entirety.

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Construction contracts	1,932	4,969

Transaction price allocated to the remaining performance obligations

	2021 £'000	2022 £'000	Total £'000
Construction contracts	11,818	-	-

Notes to the financial statements (continued)

6 Operating Loss / Profit

Operating loss / profit is stated after the following:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Depreciation of tangible fixed assets (note 12)	348	360
Net foreign exchange differences	10	8
Auditor's remuneration – audit of the financial statements of the company	24	20
	<hr/>	<hr/>

There were no fees for non-audit services paid to the auditors.

7 Staff numbers and costs

All employees providing services to the company are employed by the joint venture partners and costs relating to such employees are recharged to the company. Total costs borne by the company in this respect during the year were £nil (2019: £nil).

8 Directors' remuneration

All directors providing services to the company in the year and prior year are employed and remunerated by the joint venture partners. There were no amounts paid or payable to any director or third party in respect of directors' services (2019: £nil).

9 Interest receivable

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Other interest receivable	-	30
	<hr/>	<hr/>

10 Interest payable

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Bank and other interest payable	-	16
	<hr/>	<hr/>

Notes to the financial statements (continued)

11 Taxation

Recognised in the income statement

	Year ended 31 December 2020		Year ended 31 December 2019	
	£000	£000	£000	£000
UK corporation tax on losses / (profits) for the period	-		123	
Total current tax	-			123
<i>Deferred tax</i>				
Timing differences	10		3	
Effect of changes in tax rate	1		-	
Total deferred tax		11		3
Total tax charge		11		126

Reconciliation of effective tax rate

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
(Loss) / profit on ordinary activities before taxation	(379)	646
Tax at the UK corporation tax rate of 19% (2019: 19%)	(72)	123
<i>Effects of:</i>		
Tax rate changes	1	-
Losses not recognised	72	3
Other timing differences	10	-
Total tax charge	11	126

Tax losses from J. Murphy & Sons Ltd and Eltel Networks UK Limited have been surrendered to the Company in order to offset its tax liabilities. Payments equal to the calculated tax charge will be made to the surrendering companies for utilisation of these losses.

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, its effects are not included in these financial statements.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax benefit for the period and the deferred tax asset by £4,056.

Notes to the financial statements (continued)

12 Property, plant and equipment

	Plant and equipment £000
Cost	
At beginning of 1 January 2020 and 31 December 2020	4,243
Additions	<u>82</u>
At end of 31 December 2020	<u>4,325</u>
Depreciation	
At beginning 1 January 2020	3,145
Depreciation charge	<u>348</u>
At end of 31 December 2020	<u>3,493</u>
Net book value	
At 31 December 2020	<u><u>832</u></u>
At 31 December 2019	<u>1,098</u>
Cost	
Balance at 1 January 2019 (unaudited) and 31 December 2019	<u>4,243</u>
Depreciation	
At beginning 1 January 2019 (unaudited)	2,785
Depreciation charge	<u>360</u>
At end of 31 December 2019	<u>3,145</u>
Net book value	
At 31 December 2019	<u><u>1,098</u></u>
At 31 December 2018	<u>1,458</u>

The net carrying amount of assets held under finance leases included above is £nil (2019: £nil).

Notes to the financial statements (continued)

13 Trade receivables due after more than one year

	2020 £000	2019 £000
Retentions from third party customers	1,971	1,937

Trade receivables are non-interest bearing. As at 31 December 2020, £nil (2019: £nil) of trade receivables due after more than one year were impaired and fully provided for.

14 Trade receivables due within one year

	2020 £000	2019 £000
Receivables from third party customers within one year	45	741

The ageing analysis of trade receivables is as follows:

	2020 £000	2019 £000
Current	45	321
1-30 days	-	381
31 – 60 days	-	-
180 – 365 days	-	39
Total	45	741

Trade receivables are non-interest bearing. As at 31 December 2020, £nil (2019: £nil) of trade receivables due within one year were impaired and fully provided for.

15 Trade and other payables

	2020 £000	2019 £000
<i>Current</i>		
Trade payables	159	132
Other taxation	69	213
Accrued expenses	503	1,216
Amounts owing to related parties	641	197
	1,372	1,758

Notes to the financial statements (continued)

16 Contract liabilities

	2020 £000	2019 £000
Deferred income	8,165	7,475

17 Deferred tax

Movement in deferred tax asset in the year

	£000
At beginning of year	11
(Charge) / credit to the profit and loss account	(11)
At end of year	0

Recognised deferred tax assets and liabilities

	2020 £000	2019 £000
Deferred tax assets are attributable to the following:		
Accelerated capital allowances	0	11
Deferred tax assets	0	11

The deferred tax assets at 31 December 2020 have been calculated based on the rate substantively enacted on the balance sheet date.

18 Capital and reserves

Share capital

	Ordinary shares	
	2020 £000	2019 £000
<i>Issued, allotted, called up and fully paid</i>		
531,000 ordinary shares of £1 each	531	531

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Notes to the financial statements (continued)

19 Financial instruments

Financial instruments

The company's financial instruments comprise cash, borrowings from joint venture partners and various items such as trade receivables and trade payables which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

Financial assets

	Carrying value	
	2020 £000	2019 £000
Trade and other receivables	2,016	2,678
Cash	7,880	7,027
	<hr/>	<hr/>
	9,896	9,705
	<hr/>	<hr/>

Financial liabilities

	Carrying value	
	2020 £000	2019 £000
Trade and other payables	1,372	1,758
Contract liabilities	8,165	7,475
	<hr/>	<hr/>
	9,537	9,233
	<hr/>	<hr/>

At both 31 December 2020 and 31 December 2019, there was no significant difference between the carrying value of the company's financial assets and liabilities and their fair value.

Capital Risk

The Company operates within the policies and procedures governed by its parent company, Murphy Power Networks Limited. Within the scope of these policies and procedures, the company manages its capital with the objective of enabling the business to continue as a going concern and maximising returns to stakeholders. The assets and liabilities of the company that are managed as capital comprise trade and other receivables, cash and cash equivalents, and trade and other payables.

Financial Risk

The company's activities expose it to a variety of financial risks, such as market risk (including foreign exchange risk, price risk and credit risk) and liquidity risk. The company's risk management programme seeks to minimise potential adverse effects on the company's financial performance.

Liquidity Risk

The company manages liquidity risk by continuously monitoring forecast and actual cash flows. Future cash requirements are forecast on a monthly basis.

Notes to the financial statements (continued)

19 Financial instruments (continued)

The maturity analysis for the Company's financial liabilities is contractually as follows:

2020

	Carrying Value £000	Less than 3 months £000	3-6 months £000	6-12 months £000	Over 12 months £000
Trade and other payables	1,372	559	8	6	799
Contract liabilities	8,165	(173)	3,569	4,769	-
	<u>9,537</u>	<u>386</u>	<u>3,577</u>	<u>4,775</u>	<u>799</u>

2019

	Carrying Value £000	Less than 3 months £000	3-6 months £000	6-12 months £000	Over 12 months £000
Trade and other payables	1,758	1,586	-	172	-
Contract liabilities	7,475	-	-	-	7,475
	<u>9,233</u>	<u>1,586</u>	<u>-</u>	<u>172</u>	<u>7,475</u>

Market risk

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £9,896,000 (2019: £9,705,000) being the total of the carrying amount of financial assets, excluding equity investments, shown in the table above.

Interest rate risk

Interest rate risk is considered to be minimal in the year ended 31 December 2020 and 31 December 2019 as all borrowings were at a fixed interest rate. A change in the Bank of England base rate would affect the Company's loss before tax by £nil (2019: £nil). The company does not utilise interest rate swaps or other hedging instruments.

20 Commitments

Capital commitments

At 31 December 2020, the company had no capital commitments (2019: £nil).

Notes to the financial statements (continued)

21 Related parties

During the year, the company undertook transactions with the following related parties:

	Nature of expenses	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Expenses incurred from			
Joint venture partners:			
Eltel Networks UK Limited	Trade related	-	42
Eltel Networks UK Limited	Interest	-	-
Murphy Power Networks Limited	Interest	-	-
Other related parties:			
Biuro Studiów i Projektów Energetycznych Energoprojekt – Kraków SA	Trade related	-	126
Carillion Construction Limited	Trade related	-	-
Carillion Fleet Management Limited	Hire of plant	-	-
Eltel AB	Parent guarantee fee	(35)	65
Eltel AB	Trade related	79	-
Eltel Networks Energetyka S.A.	Trade related	-	1,069
Eltel Networks OY	Trade related	-	(1003)
Everprime Limited	Trade related	-	-
J Murphy and Sons Limited	Trade related	880	1,537
J Murphy and Sons Limited	Parent guarantee fee	(35)	65
Murphy Plant Limited	Hire of plant	86	948
		975	2,849

At the year end, the following balances with related parties were on the statement of financial position:

	2020		2019	
	Receivables outstanding £000	Payables due £000	Receivables Outstanding £000	Payables due £000
Joint venture partners:				
Murphy Power Networks Limited	-	-	-	-
Eltel Networks UK Limited	-	-	-	(102)
Other related parties:				
Biuro Studiów i Projektów Energetycznych Energoprojekt - Kraków SA	-	-	-	(40)
Carillion Construction Limited	-	-	-	(145)
Carillion Fleet Management Limited	-	-	-	-
Eltel AB	-	-	-	(35)
Eltel Networks Energetyka S.A.	-	-	-	-
Eltel Networks Olsztyn S.A.	-	-	-	-
Eltel Networks OY	-	-	-	(27)
Everprime Limited	-	-	-	-
J Murphy & Sons Limited	-	(181)	-	(198)
Murphy Plant Limited	-	(460)	-	(521)
	-	(641)	-	(1,068)

Notes to the financial statements (continued)

21 Related parties (continued)

The related parties listed above under 'other related parties' are all fellow subsidiary companies of the joint venture partners who owned the company during 2020 or in the case of J. Murphy & Sons Limited and Eltel AB, the parent company of each of the joint venture partners. On 18 December 2020, the group ultimately headed by J Murphy & Sons Limited acquired the remaining 50% shareholding in the company, and accordingly as at 31 December 2020 the company was a wholly owned subsidiary of the J Murphy & Sons group.

J. Murphy and Sons Limited provides accounting services for nil consideration.

22 Subsequent events

In July 2021, all of the Company's plant and machinery were sold to a fellow J Murphy & Sons Limited group subsidiary, Murphy Plant Limited, at their carrying value.

While operations are ongoing to complete the Richmond project by the end of 2021, the Company has not been, to date, adversely affected by the ongoing Covid-19 pandemic.

23 Ultimate parent undertaking and controlling party

The immediate parent holding company is Murphy Power Networks Limited. The ultimate parent company of Murphy Power Networks Limited is Maryland Limited.

J. Murphy & Sons Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2020. 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 2020. The consolidated financial statements of Drilton Limited are available from Hiview House, Highgate Road, London NW5 1TN.

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