Registered number: 11394829

Murphy Investments (Morson Road) Limited

Directors report and financial statements for the year ended 31 December 2019

FRIDAY
A9H9BJBL
A15 06/11/2020 #83
COMPANIES HOUSE

Murphy Investments (Morson Road) Limited

Contents

Murphy Investments (Morson Road) Limited

Directors and advisers

Directors	John Murphy
Company secretary	J P Murphy
Registered number	11394829
Registered office	Hiview House Highgate Road London NW5 1TN
Independent auditors	Ernst & Young LLP 1 More London Place London SE1 2AF

Murphy Investments (Morson Road) Limited

Directors report
for the year ended 31 December 2019

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

Principal activity

The principal activities of the company during the year were that of leasing property and property investment and development.

Review of the business

The key financial highlights are as follows:

	2019 £'000	2018 £'000
Turnover	**1,017**	396
Profit / (loss) before taxation	**5,974**	(1,451)
Investment property net book value	**33,565**	24,250
Total shareholders' funds / (deficit)	**4,050**	(1,451)

The improvement in operating profit is mainly due to 2019 representing a full year of trading compared to five months in 2018. Additionally, the company has benefitted from an increase in the valuation of its investment property portfolio.

Directors

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

David Burke	(resigned 23 September 2020)
John Murphy	
Peter Anderson	(resigned 31 December 2019)

Results and dividends

The profit for the year after taxation amounted to £5,500,076 (2018: loss £ 1,450,564).

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

Future developments and outlook

The Directors are actively looking for future property development opportunities for the company. 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

The key risks which the Company faces relate to credit risk of key customers and the performance of the London and South East property market and the consequent impact on the company's investment property values in the event of a deterioration. The directors have also considered the impact that the coronavirus disease (Covid-19) may have on the Company, and have taken measures to mitigate the risk where possible.

At the date of approving the financial statements, the Company operations have not been significantly impacted by Covid-19. As government responses to combat the disease and strategies to return society to normal emerge however, the resultant global social and economic impact could still have a negative impact on the Company's investment property values and operating results.

Financial risk management

The company participates in banking and credit arrangements made by J. Murphy & Sons Limited through which all financial risks are managed.

This company does not have a bank account. All funds are held by the parent company. The company therefore has no material interest rate, currency or liquidity risks.

There is no external debt on the balance sheet. Credit risk attached to trade and other debtors is considered to be low as the company seeks to trade only with creditworthy third parties and monitors amounts outstanding on a regular basis. Rent arrears are closely managed.

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 scenarios demonstrate the effect of reduced order intake and reduced margin. The downside scenarios were designed to demonstrate a pessimistic but plausible downside and show 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.

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 remains in force as at the date of approval of this report. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance which also remains in force at the date of approval of this report.

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 Standards and applicable law ("United Kingdom Generally Accepted Accounting Practice") including Financial Reporting Standard 102 ("FRS 102"), the financial reporting standard applicable in the UK and Republic of Ireland.

Statement of directors' responsibilities (continued)

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 the virus but as the disease continues to spread, the resulting financial and economic market uncertainty could have a negative impact to the Company's investment property portfolio which may be of a material value. In addition, there may be an impact on the operating profit of the Company if the situation worsens, but the extent of this is highly uncertain and cannot be predicted.

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.

Small companies' exemption

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. In addition, the Company has taken advantage of the exemption available under S414B of the Companies Act 2006 in not preparing a strategic report.

Independent auditors

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

This report was approved by the board on 2 October 2020 and signed on its behalf.

J Murphy
Director

Independent auditors' report to the members of Murphy Investments (Morson Road) Limited

Opinion

We have audited the financial statements of Murphy Investments (Morson Road) 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 18, 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 17 to the financial statements, which describe the economic consequences the Company may face as a result of COVID-19 and the potential impact on the directors' assessment of the Company'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.

Independent auditors' report to the members of Murphy Investments (Morson Road) Limited (continued)

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 directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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; or
- the directors were not entitled take advantage of the small companies exemptions requirement in preparing the Directors report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

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: 02 October 2020

Profit and loss account
For the year/period ended 31 December 2019

	Note	12 months to 31 December 2019	5 months to 31 December 2018
Turnover	5	**1,017,399**	396,244
Administrative costs		**(6,922)**	(6,808)
Operating profit		**1,010,477**	389,436
Profit / (loss) on investment property revaluation		**4,963,898**	(1,840,000)
Profit / (loss) before taxation on ordinary activities		**5,974,375**	(1,450,564)
Tax on profit / (loss) on ordinary activities	8	**(474,299)**	-
Profit / (loss) for the financial year		**5,500,076**	(1,450,564)

All amounts 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 prepared.

The notes on pages 11 to 18 form part of these financial statements.

Registered number: 11394829

Balance Sheet
As at 31 December 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Investment property	9		**33,564,955**		24,250,000
			33,564,955		24,250,000
Current assets					
Stocks	10	-		3,125,000	
Debtors: amounts falling due within one year	11	**260,050**		4	
		260,050		3,125,004	
Creditors: amounts falling due within one year	12	**(29,775,492)**		(28,825,567)	
Net current liabilities			**(29,515,442)**		(25,700,563)
Total assets less current liabilities			**4,049,513**		(1,450,563)
Net assets / (liabilities)			**4,049,513**		(1,450,563)
Capital and reserves					
Called up share capital	14		**1**		1
Profit and loss account			**4,049,512**		(1,450,564)
Total shareholders' funds / (deficit)			**4,049,513**		(1,450,563)

The financial statements were approved and authorised for issue by the board on 2 October 2020 and were signed on its behalf by

J Murphy
Director

The notes on pages 11 to 18 form part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2019

	Note	Called up share capital £	Profit and loss account £	Total shareholders' (deficit) / funds £
Balance as at 1 January 2019		1	(1,450,564)	(1,450,563)
Comprehensive income for the year				
Profit for the financial year		-	5,500,076	5,500,076
At 31 December 2019		**1**	**4,049,512**	**4,049,513**

	Note	Called up share capital £	Accumulated losses £	Total equity £
On incorporation - 4 June 2018		-	-	-
Comprehensive loss for the period				
Loss for the financial period		-	(1,450,564)	(1,450,564)
Total Comprehensive loss for the period		-	(1,450,564)	(1,450,564)
New shares issued	14	1	-	1
At 31 December 2018		**1**	**(1,450,564)**	**(1,450,563)**

The notes on pages 11 to 18 form part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2019

1. General information

The principal activities of Murphy Investments (Morson Road) Limited are those of leasing property and property investment and development.

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 Investments (Morson Road) 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. Summary of significant 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 presented in pounds sterling which is also the functional currency of the company.

The financial statements have been prepared on the going concern basis under the historical cost convention, as modified by the revaluation of investment properties.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment 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 financial statement disclosure exemptions.

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 certain financial instruments disclosures, required under FRS 102 para 11.39 to 11.48A and para 12.26 to 12.29; and
- From disclosing the Company's key management personnel compensation as required by FRS 102 para 33.7; and
- From disclosing related party transactions that are wholly owned within the same group under paragraph 33.1A of FRS 102.

Notes to the financial statements
for the year ended 31 December 2019

3. Accounting policies (continued)

3.3 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 scenarios demonstrate the effect of reduced order intake and reduced margin. The downside scenarios were 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.

3.4 Financial instruments

(a) Trade debtors and other receivables

Trade debtors and other receivables are stated initially at fair value and subsequently measured at 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 agreed terms with the customer. 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 stated 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.

3.5 Investment property

Investment properties are stated at fair value which is the open market value in accordance with FRS 102, and are not depreciated.

Investment property acquisitions and disposals (including any related profit or loss) are not recognised until there is an exchange of unconditional contracts. Costs associated with the acquisitions are capitalised.

Any changes in fair value are recognised in the Consolidated profit and loss account.

3. Accounting policies (continued)

3.6 Stocks

Property for development comprises sites held in order to be developed for sale, or which are actively being developed for sale. The cost of property for development includes construction and other attributable costs incurred. The cost does not include borrowing costs.

Property for resale comprises developed sites or units that are available for sale. When property is sold, development costs included in stock are allocated to cost of sales using the percentage of square footage of the property sold as a proportion of the total development site, multiplied by the total cost of the development. All stock categories are stated at the lower of cost and estimated selling price less costs to sell.

With properties held in stock, once a decision is made to retain these properties as investment properties, the property is then transferred to investment property at fair value.

3.7 Revenue Recognition

Rental Income

Rental income comprises revenue recognised by the Company in respect of leasing investment properties during the period, exclusive of Value Added Tax and is recognised property by property in the profit and loss account on a straight-line basis over the period of the lease.

Where applicable, lease incentives given to Investment property tenants are charged to the profit and loss account to reflect rental income on a straight-line basis over the period of the lease.

3.8 Current and deferred taxation

Taxation expense for the period 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.

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.

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 balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Notes to the financial statements
for the year ended 31 December 2019

3. Accounting policies (continued)

3.9 Current and deferred taxation (continued)

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 relating to investment property that is measured at fair value is measured using the tax rates and allowances that would apply to the sale of the asset.

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 liability 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.

3.10 Share capital

Ordinary shares are classified as equity and recorded at the fair value of consideration receivable. 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.

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.

In the opinion of the Directors, the only area which involves critical estimates and judgements is that of investment property.

The fair value of investment properties is based on a valuation by independent, professional valuers (Jones Lang LaSalle), who have performed their valuation in accordance with the RICS Valuation - Professional Standards and FRS 102. There are significant judgements and estimates involved in valuing such properties which are subject to uncertainty in outcome, including current market yields, estimated rental values, capital expenditure requirements, void costs and tenant incentives. Refer to note 9 for the assumptions.

5. Turnover

Turnover represents rental income in respect of property. All turnover arose within the United Kingdom.

6. Operating profit

Auditors' remuneration for the year of £10,000 (2018: £8,500) was borne by another group company, J. Murphy & Sons Limited. There were no fees for non-audit services paid to the auditors (2018: £nil).

7. Directors and employees

The Company did not directly employ any staff during the year (period ended 31 December 2018: none).

There was no remuneration paid to the directors by the company during the year (period ended 31 December 2018: £nil).

8. Tax on profit / (loss) on ordinary activities

There was no corporation tax in either the current or preceding year/period.

	2019 £	2018 £
Deferred tax		
Origination and reversal of timing differences	304,000	
Adjustment in respect of previous periods	202,299	
Effect of changes in tax rates	(32,000)	
Total deferred tax charge	474,299	-
Total tax charge	474,299	-

Factors affecting tax charge for the year/period

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

	2019 £	2018 £
Profit / (loss) before taxation	5,974,375	(1,450,564)
Profit / (loss) multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	1,135,131	(275,607)
Effects of:		
Effects of group relief/ other reliefs	(1,004,990)	(337,143)
Adjustment in respect of previous periods	202,299	-
Tax rate changes	(32,000)	-
Deferred tax not recognised on revaluation losses	173,859	612,750
Total tax charge for the year/period	474,299	-

Losses surrendered by the Group are included within amounts owed to fellow group undertakings.

Factors that may affect 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.

A deferred tax asset of £703,808 (2018: £735,250) in respect of property revaluation losses has not been recognised as there is insufficient evidence of relevant gains against which the asset is recoverable.

Notes to the financial statements
for the year ended 31 December 2019

9. Investment property

	Freehold investment property £
Cost / valuation	
At 1 January 2019	24,250,000
Additions	1,226,057
Transfer from stock	3,125,000
Revaluation gain	4,963,898
At 31 December 2019	33,564,955

The valuation as at 31 December 2019 was prepared by external valuers Jones Lang LaSalle, who are members of the Royal Institute of Chartered Surveyors and have recent experience in the location and category of the investment properties being valued. The valuation is on the basis of open market value.

The key assumptions made relating to the valuations are set out below:

	2019	2018
Yield	4% - 4.5%	4.5%
Market rents	£3.33 - £4.60 per sq. foot	£3.55 per sq. foot

Historical cost of investment property held at 31 December 2019 was £30,441,000 (2018: £26,090,000).

10. Stock

	2019 £	2018 £
Property held for resale	-	3,125,000

During 2019, the property held for resale was transferred to investment property (see note 9)

11. Debtors

	2019 £	2018 £
Trade debtors	**195,000**	-
Amounts owed by fellow group undertakings	**1**	1
Other debtors	**65,049**	3
	260,050	4

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

12. Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	**61,303**	-
Amounts owed to fellow group undertakings	**28,935,419**	28,675,848
Deferred tax	**474,299**	-
Accruals and deferred income	**304,471**	149,719
	29,775,492	28,825,567

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

13. Operating leases where the company is a lessor

The company rents property to third party tenants under operating leases. The future minimum lease payments receivable under these non-cancellable operating leases are as follows:

	2019	2018
	£	£
Within one year	**1,351,806**	940,000
Between two and five years	**5,538,887**	3,937,781
After more than five years	**19,645,843**	19,682,219
	26,536,536	24,560,000

There were no contingent rents recognised by the company as revenue during the year.

14. Called up share capital

	2019	2018
	£	£
Allotted called up and unpaid		
1 Ordinary share of £1 each	1	1

15. Related party transactions

The company has taken advantage of the exemption under paragraph 33.1A from the provisions of FRS 102, not to disclose relevant related party transactions on the grounds that at 31 December 2019 it was a wholly owned subsidiary.

16. 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 with a working capital 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.

A charge in favour of Lloyds Bank PLC is in place over the company's investment property. The carrying value of investment property subject to this charge is £33,564,955 (2018: £24,250,000).

Notes to the financial statements
for the year ended 31 December 2019

17. 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 the virus but as the disease continues to spread, the resulting financial and economic market uncertainty could have a negative impact to the Company's investment property which may be of a material value. In addition, there may be an impact on the operating profit of the Company if the situation worsens, but the extent of this is highly uncertain and cannot be predicted.

18. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Murphy Investment (Holdings) Limited, a company registered in England & Wales. 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.