

Registered number: 11394829

Murphy Investments (Morson Road) Limited

Directors report and financial statements

for the year ended 31 December 2020



Murphy Investments (Morson Road) Limited

Contents

	Page(s)
Directors and advisers	1
Directors report	2 - 4
Independent auditors' report	5 - 7
Profit and loss account	8
Balance sheet	9
Statement of changes in equity	10
Notes to the financial statements	11 - 18

Murphy Investments (Morson Road) Limited

Directors and advisers

Directors	John Murphy Joseph Ledwidge
Company secretary	J P Murphy
Registered number	11394829
Registered office	Hiview House Highgate Road London NW5 1TN
Independent auditors	RSM UK Audit LLP Marlborough House Victoria Road South Chelmsford Essex CM1 1LN

Murphy Investments (Morson Road) Limited

Directors report for the year ended 31 December 2020

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

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:

	2020	2019
	£'000	£'000
Turnover	2,022	1,017
Profit before taxation	4,619	5,974
Investment property net book value	36,380	33,565
Total shareholders' funds	8,516	4,050

The improvement in operating profit to £1,967,629 (2019: £1,010,477) is mainly due to an upward rent review during 2020 which were agreed with tenants. The company has benefitted from an increase in the valuation of its investment property portfolio partly due to this rent review, however this was not as significant as the increase in valuation in 2019.

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	
Joseph Ledwidge	(appointed 1 February 2021)

Results and dividends

The profit for the year after taxation amounted to £4,466,643 (2019: £5,500,076).

The directors do not recommend the payment of a dividend (2019: £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 continues to develop and to date has not has a material 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.

The impact of Covid-19 on the public health and economy of the UK is substantial but not fully known yet and this could have a negative impact on the Company's future operations as well as the carrying value of our investment properties. To date, the Company has managed this risk well and has not seen a significant negative impact however the Board continues to monitor the impact on the Group and take this into account when making investment and operational decisions.

Murphy Investments (Morson Road) Limited

Directors report (continued) for the year ended 31 December 2020

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.

The Company, together with J. Murphy & Sons Limited, and other group undertakings has provided a guarantee to HSBC Bank plc who provide J. Murphy & Sons Limited, the Company's immediate parent undertaking, with a working capital facility of up to £50m. This facility is secured against the Company's assets.

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. Notwithstanding the net current liabilities totaling £27.2m reported by the company as at the balance sheet date, the directors are satisfied the company will have access to sufficient liquid resources through the group's treasury function to meet liabilities as they fall due and has received assurance from the parent, J. Murphy & Sons Limited, to this effect.

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.

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.

Murphy Investments (Morson Road) Limited

Directors report (continued) for the year ended 31 December 2020

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;
- 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

In March 2021 the Company's immediate parent, Murphy Investments (Holdings) Limited entered into a new committed rolling working capital credit facility of £50m with HSBC Bank plc for 3 years which will ensure that working capital requirements are met. This Company is part of the obligor group for this facility. This replaced the credit facility of £30m that was in place with Lloyds Bank plc.

In March 2021, the Company's intermediate parent, J. Murphy & Sons Limited sold its 100% shareholding in the Company's immediate parent, Murphy Investments (Holdings) Limited, to Murphy Rail Projects Limited.

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

RSM UK Audit LLP were appointed as the auditor to the Company during the year. At the next General Meeting, it will be proposed for the auditors, RSM UK Audit LLP be re-appointed in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 July

2021 and signed on its behalf.



J Ledwidge
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 (the 'company') for the year ended 31 December 2020 which comprise the profit and loss account, balance sheet, statement of changes in equity 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 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 state of the company's affairs as at 31 December and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

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 year 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.

Independent auditors' report to the members of Murphy Investments (Morson Road) 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 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 to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 3 and 4, 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 auditors' report to the members of Murphy Investments (Morson Road) 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 FRS 102, 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 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.

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 : 30 July 2021

Murphy Investments (Morson Road) Limited

Profit and loss account

For the year ended 31 December 2020

	Note	2020 £	2019 £
Turnover	5	2,022,334	1,017,399
Cost of sales		(40,082)	-
Gross profit		1,982,252	1,010,477
Administrative costs		(14,623)	(6,922)
Operating profit	6	1,967,629	1,010,477
Profit on investment property revaluation		2,651,714	4,963,898
Profit before taxation		4,619,343	5,974,375
Taxation	8	(152,700)	(474,299)
Profit for the financial year		4,466,643	5,500,076

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.

Murphy Investments (Morson Road) Limited**Registered number: 11394829****Balance Sheet****As at 31 December 2020**

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Investment property	9		36,379,687		33,564,955
			36,379,687		33,564,955
Current assets					
Debtors: amounts falling due within one year	10	407,346		260,050	
		407,346		260,050	
Creditors: amounts falling due within one year	11	(27,643,878)		(29,301,193)	
Net current liabilities			(27,236,532)		(29,041,143)
Total assets less current liabilities			9,143,155		4,523,812
Provision for liabilities	12	(626,999)		(474,299)	
Net assets			8,516,156		4,049,513
Capital and reserves					
Called up share capital	14		1		1
Profit and loss account			8,516,155		4,049,512
Total shareholders' funds			8,516,156		4,049,513

These financial statements have been prepared in accordance with the provisions of the small companies' regime. The financial statements were approved and authorised for issue by the board on and were signed on its behalf by:



J Ledwidge
Director

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

Murphy Investments (Morson Road) Limited

**Statement of changes in equity
for the year ended 31 December 2020**

	Note	Called up share capital £	Profit and loss account £	Total shareholders' funds £
Balance as at 1 January 2020		1	4,049,512	4,049,513
Comprehensive income for the year				
Profit for the financial year		-	4,466,643	4,466,643
At 31 December 2020		1	8,516,155	8,516,156

	Note	Called up share capital £	Profit and loss account £	Total shareholders' 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

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

Murphy Investments (Morson Road) Limited

Notes to the financial statements for the year ended 31 December 2020

1. General information

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. A description of the company's activities can be found in the Directors' Report.

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 and are presented to the nearest pound.

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, under the reduced disclosure regime, subject to certain conditions, which have been complied with by the Company.

The Company has taken advantage of the following exemptions:

- Under FRS 102 paragraph 1.12(b) from preparing a statement of cash flows;
- From disclosing the Company'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.

The financial statements of the Company are consolidated in the financial statements of J Murphy & Sons Limited. The consolidated financial statements of J Murphy & Sons Limited are available from its registered office, Hiview House, Highgate Road, London, NW5 1TN.

Murphy Investments (Morson Road) Limited

Notes to the financial statements for the year ended 31 December 2020

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. Notwithstanding the net current liabilities totaling £27.2m reported by the company as at the balance sheet date, the directors are satisfied the company will have access to sufficient liquid resources through the group's treasury function to meet liabilities as they fall due and has received assurance from the parent, J Murphy & Sons Limited, to this effect.

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.

3.4 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 profit and loss account.

Murphy Investments (Morson Road) Limited

Notes to the financial statements for the year ended 31 December 2020

3. Accounting policies (continued)

3.6 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.

3.7 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.

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.

Murphy Investments (Morson Road) Limited

Notes to the financial statements for the year ended 31 December 2020

3. Accounting policies (continued)

3.8 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.

The only key judgement applied in the preparation of these financial statements has been assessed as follows;

Recognition of deferred tax assets – the directors have applied judgement in deciding not to recognize any deferred tax assets in respect of cumulative revaluation losses in respect of investment properties on the basis of there being a lack of certainty around future profits against which such losses would be relieved.

In the opinion of the Directors, the only area which involves critical estimates and assumptions 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 £8,800 (2019: £10,000) was borne by another group company, J. Murphy & Sons Limited. There were no fees for non-audit services paid to the auditors (2019: £nil).

7. Directors and employees

The Company did not directly employ any staff during the year (2019: none).

There was no remuneration paid to the directors by the company during the year (2019: £nil).

Murphy Investments (Morson Road) Limited

Notes to the financial statements for the year ended 31 December 2020

8. Tax on profit on ordinary activities

There was no current tax charge in either the current or preceding year.

	2020 £	2019 £
Deferred tax		
Origination and reversal of timing differences	96,900	304,000
Adjustment in respect of previous periods	-	202,299
Effect of changes in tax rates	55,800	(32,000)
Total deferred tax charge	152,700	474,299
Total tax charge	152,700	474,299

Factors affecting tax charge for the year/period

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £	2019 £
Profit before taxation	4,619,343	5,974,375
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	877,675	1,135,131
Effects of:		
Effects of group relief / other reliefs	(372,849)	(1,004,990)
Adjustment in respect of previous periods	-	202,299
Expenses not deductible	30,974	-
Tax rate changes	55,800	(32,000)
Deferred tax not recognised on revaluation (gains)/ losses	(438,900)	173,859
Total tax charge for the year	152,700	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 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.

A deferred tax asset of £335,350 (2019: £703,808) in respect of property revaluation losses has not been recognised as there is insufficient evidence of relevant gains against which the asset is recoverable.

Murphy Investments (Morson Road) Limited

Notes to the financial statements for the year ended 31 December 2020

9. Investment property

	Freehold investment property £
Cost / valuation	
At 1 January 2020	33,564,955
Additions	163,018
Revaluation gain	2,651,714
At 31 December 2020	<u>36,379,687</u>

The valuation as at 31 December 2020 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:

	2020	2019
Yield	4% - 4.5%	4% - 4.5%
Market rents	£3.50 - £5.05 per sq. foot	£3.33 - £4.60 per sq. foot

Historical cost of investment property held at 31 December 2020 was £30,604,018 (2019: £30,441,000).

10. Debtors

	2020 £	2019 £
Trade debtors	374,798	195,000
Amounts owed by fellow group undertakings	1	1
Other debtors	<u>32,547</u>	<u>65,049</u>
	<u>407,346</u>	<u>260,050</u>

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

Murphy Investments (Morson Road) Limited

Notes to the financial statements for the year ended 31 December 2020

11. Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	33,750	61,303
Amounts owed to fellow group undertakings	26,819,522	28,935,419
Other taxation	414,663	-
Accruals and deferred income	375,943	304,471
	<u>27,643,878</u>	<u>29,301,193</u>

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

12. Provisions for liabilities

	2020	2019
	£	£
Asset as at 1 January 2020	(474,299)	-
Charged to profit and loss account	(152,700)	(474,299)
Asset as at 31 December 2020	(626,999)	(474,299)

The deferred tax asset is made up as follows:

	2020	2019
	£	£
Revaluations/fair value adjustments	(626,999)	(474,299)

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:

	2020	2019
	£	£
Within one year	1,634,450	1,351,806
Between two and five years	6,395,742	5,538,887
After more than five years	25,479,522	19,645,843
	<u>33,509,714</u>	<u>26,536,536</u>

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

Murphy Investments (Morson Road) Limited

Notes to the financial statements for the year ended 31 December 2020

14. Called up share capital

	2020 £	2019 £
Allotted called up and unpaid		
1 Ordinary share of £1 each	1	1

15. Financial Commitments and Guarantees

At the balance sheet date, the Company, together with J. Murphy & Sons Limited, and other group undertakings provided a guarantee to Lloyds Bank PLC who provided J. Murphy & Sons Limited, with a revolving credit facility of up to £30m. The amount drawn on this facility was £30m at the balance sheet date.

A charge in favour of Lloyds Bank PLC was in place over the company's investment property in connection with the above facility. The carrying value of investment property subject to a charge at as 31 December 2020 is £36,379,687. This facility was terminated on 31st March 2021, and the guarantees were released by Lloyds Bank.

In March 2021, the Company, together with other group undertakings has provided a guarantee to HSBC Bank plc who provide Murphy Investment (Holdings) Limited, the Company's immediate parent undertaking, with a working capital facility of up to £50m. This facility is restricted to £30m until certain conditions are met and are secured against the Company's assets.

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

16. Subsequent events

In March 2021 the Company's immediate parent, Murphy Investments (Holdings) Limited entered into a new committed rolling working capital credit facility of £50m with HSBC Bank plc for 3 years which will ensure that working capital requirements are met. Murphy Investments (Morson Road) Limited is an obligor in this facility. This replaced the credit facility of £30m that was in place with Lloyds Bank plc.

In March 2021, the Company's intermediate parent, J. Murphy & Sons Limited sold it's 100% shareholding in the Company's immediate parent, Murphy Investments (Holdings) Limited, to Murphy Rail Projects Limited.

17. 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 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 directors 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.