

J. Murphy & Sons Limited
Annual report and financial statements
for the year ended 31 December 2020

FRIDAY



AAD721QP

A22

17/09/2021

#3

COMPANIES HOUSE

J. Murphy & Sons Limited

Contents

	Page(s)
Directors and advisers	1
<i>Strategic report</i>	2 – 6
Directors' report	7 – 10
Independent auditors' report	11 – 13
<i>Consolidated Profit and Loss account</i>	14
Consolidated Statement of Comprehensive Income	15
Company Statement of Comprehensive Income	15
<i>Consolidated Balance Sheet</i>	16
Company Balance Sheet	17
Consolidated Statement of Changes in Equity	18
Company Statement of Changes in Equity	18
Consolidated Statement of Cash Flows	19
Notes to the financial statements	20 – 55

J. Murphy & Sons Limited

Directors and advisers

Directors

Alastair Kerr
John Paul Murphy
John Patrick Murphy
Joseph Ledwidge
David Huw Davies
Deborah Lodge
Clare Mara
James Murphy
Dr Karina Murphy
Kathleen Murphy
Michael Toms

Company secretary

John Patrick Murphy

Company Number

492042

Registered office

Hiview House
Highgate Road
London
NW5 1TN

Bankers

Royal Bank of Scotland
135 Bishopsgate
London EC2M 3UR
England

Lloyds Bank plc
25 Gresham Street
London
EC2V 7HN

Independent auditors

RSM UK Audit LLP
Marlborough House
Victoria Road South
Chelmsford
Essex
CM1 1LN

J. Murphy & Sons Limited

Strategic report for the year ended 31 December 2020

The directors present their strategic report of the Group and parent company for the year ended 31 December 2020.

Principal activities

Murphy's ("the Group") primary business is delivering major infrastructure programmes safely and reliably in the United Kingdom, Ireland and Canada, together with related plant and specialist construction activities including piling and ground engineering, structural steel fabrication and pipelines testing services. The core infrastructure sectors in which the business operates include water, transport, construction & property, power and natural resources. Murphy also delivers selective property development projects.

Business review

Total Group revenue, including the jointly controlled entities, increased significantly in 2020 to £1,115.9m (2019: £880.2m) due to an overall rise in activity across the business. In particular the Canadian jointly controlled operation continued to perform well, increasing our turnover share in 2020 to £167.5m (2019: £117.6m) as well as returning positive cash for the Group.

The Group reported an operating profit of £12.9m (2019: £1.1m) driven by strong performances in Irish and Canadian operations and a return to profitability in UK operations. The improved performance in the UK has mainly been driven by refinements made to contract selection, strengthening project controls and monitoring as well as increased volumes in the rail sector and major projects, such as HS2 enabling works.

In response to the uncertainty at the start of the Covid-19 pandemic, the Group refocused its main objectives to protect our people and to continue to deliver on our critical infrastructure maintenance and construction projects. We streamlined support function activities and ceased any non-critical spend in order to reduce the cost base of the group and operate more effectively. *These changes have resulted in central overhead reduction and simplification of the support functions.*

2020 also saw the business generate positive cashflow and significantly improve the cash position, ending the year with net cash reserves of £173.8m (2019: £71.1m). This can mainly be attributed to improvements in commercial discipline which has reduced amounts recoverable on contracts despite the increase in activity. In March 2021, the Group 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.

The Group has strengthened its order book during the year and this has increased to over £1.6bn. Major new awards secured during the year included a £220m contract on the 5 year R110-T2 framework for National Grid and a £55m contract to deliver earthwork packages for the East West Rail Alliance. The Group also continues to benefit from increased workload on HS2 and frameworks with Network Rail, Thames Water, Severn Trent Water and United Utilities.

Future development and outlook

The Group is focused on pursuing the right opportunities in its main sectors, transport, water and power alongside the specialist business capabilities. The Group strategy has focused on building scale, developing its resilience through operating in chosen markets and building on core competencies of the Group. It will continue to take a disciplined approach to maintain a strong balance sheet that will underpin organic growth.

Murphy will continue to invest in the competencies and capabilities needed in the operations and functional support teams. This investment is enabling Murphy to be a prime contractor in its core market sectors, and one that clients want to work with to deliver world-class infrastructure projects. Underpinning all of this is the Group's ability to deliver safely, reliably and sustainably with respect for the environment.

The impact of Covid-19 on the public health and economy of Canada, Ireland and the UK is substantial but not fully known yet and, as outlined on page 6 below, this could have a negative impact on the Group's future operations, activity levels and operating profit as well as the carrying value of our investment properties. To date, the Group 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.

J. Murphy & Sons Limited

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

Key performance indicators

Financial key performance indicators

	2020 £'m	2019 £'m
Total Group revenue including Joint Ventures	1,115.9	880.2
Net cash balance of the Group	173.8	71.1
Group operating profit	12.9	1.1
Group net assets	206.7	211.1
Company net assets	133.9	166.0

Non-financial key performance indicator

	2020 Score	2019 Score
Heat map scorecard	+6	+5

The heat map scorecard is a balanced scorecard of health and safety measures with a range from -6 to +6 and a target of +4 or above. The aim is to benchmark performance and encourage a balanced approach to behaviours and focus in key areas.

Corporate Governance

We continue to adopt the Wates Corporate Governance Principles for Large Private Companies as an appropriate framework when making a disclosure regarding corporate governance arrangements.

We set out below how we have applied the six Principles.

1. Purpose and Leadership:

Our purpose is 'Improving Lives by Delivering World-Class Infrastructure' in our core sectors of transportation, water, power, construction and property and natural resources in the UK, Ireland and Canada. This is regularly promoted and communicated across our company.

Our vision is to be the UK's leading family-owned construction business by 2026 – when Murphy will celebrate its 75th birthday. This strategy was refreshed and agreed in January 2020 and is called "Murphy at 75". The business plan and company strategic objectives to deliver this vision are agreed, reviewed and refreshed annually by the Board.

Our culture is based on five core values – One Family, One Team, One Murphy; Continually Improve; Never Harm; Respect, Integrity and Accountability; and Always Deliver. These values have underpinned the successful growth of the business since its incorporation in 1951.

The delivery of our strategy is also underpinned by five key strategic drivers – fit to start; dependable project management; passionate about direct; better engineered; and win-win relationships.

Our Board is chaired by the non-executive Chairman, Alastair Kerr. The Board delegates authority for all day to day management of the business to the Group Executive Committee. There are certain matters reserved for approval by the Board such as the formation of joint ventures and the tendering for major projects. The Group Executive Committee is led by our Chief Executive Officer, John Murphy, who is a grandson of the founder of the business.

We have clear terms of reference in place for the Board and its subcommittees including the Group Executive Committee.

J. Murphy & Sons Limited

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

2. Board Composition:

The Board consisted of eight non-executive directors and three executive directors during the year. There were four independent non-executive directors (including the Chairman). They have expertise and experience in family-owned business, finance, construction, transport infrastructure and utilities. There are four family non-executive directors who represent the ultimate owners of the business. There is also one alternate director.

Our Chief Executive Officer, Chief Financial Officer and Company Secretary were the executive directors who served on the Board during the year.

The Board had ten meetings in the year. Eight meetings were held virtually. There were four female directors and eight male directors on the Board during the year.

3. Director Responsibilities:

Our Board is responsible for promoting the long term success of the business for the benefit of its owners and taking into account the interests of its stakeholders in doing so. Further detail on those considerations is provided in the S.172 statement. The Board receives updated information at each board meeting on key aspects of the business including safety performance, people, strategy, business development, operational matters and the financial performance of the business.

The Audit Committee is responsible for reviewing the effectiveness of the Group's system of internal financial controls, internal control and risk management systems, and the management of internal and external audit. The Committee considered specific matters such as the continuing implementation of the new enterprise resource planning system in the business, contract profit and revenue recognition, the scenarios to support a going concern basis for the financial statements and the impact of Covid-19 after the year end. The Committee is chaired by independent non-executive director Huw Davies, and is comprised entirely of non-executive directors. Internal Audit is charged with carrying out an annual audit programme and reporting the findings to the committee.

4. Opportunity and Risk:

The Risk and Opportunity Board Committee oversees the management of risk and identification of opportunities across the business. The Committee was chaired by independent non-executive director Huw Davies during the year. There is also an Executive Risk and Opportunity Committee (EROC) chaired by the Company Secretary which met three times during 2020. This maintains a Group Risk and Opportunity register. The EROC regularly reviews the principal risks and opportunities in the business at their meetings. It then reports to the Risk and Opportunity Board Committee on steps taken to mitigate any risks and to realise any of the identified opportunities.

5. Remuneration:

The Remuneration Board Committee is responsible for setting the remuneration and benefits for the senior executives employed by the business, and for the remuneration policy for all staff. The Committee reviews and approves the long and short term incentive plans to retain and reward senior executives, based on performance measures that promote the long-term success of the business. The Committee is chaired by independent non-executive director, Mike Toms, and is comprised entirely of non-executive directors. The Committee also reviews the Company's Gender Pay Gap report, and approves the strategy for reducing the Gender Pay Gap at Murphy.

6. Stakeholder Relationships and Engagement:

The Board regularly reviews and oversees a range of stakeholder information – from client satisfaction data to the results of the annual employee engagement survey. The Board reviews the employee engagement survey results and agrees the action plans to address key issues raised as part of the survey.

Murphy executive directors play an active role in engaging with a range of stakeholders in their roles to promote the company purpose – from clients, communities, colleagues and many others. They carried out regular town halls across the year to update colleagues on company progress, as well as answering their queries and questions. Along with other senior leaders, they also drove our 'Safestart', 'One Summer' and 'One Winter' programmes in 2020, visiting project sites over three different periods in the year to reinforce our 'Never Harm' value and also to take the opportunity to update our people on what was happening in the business.

In 2020, we adopted a Social Value plan to leave a positive legacy in the communities in which we work. This includes employability support for 16-24 year olds, holding STEM events in schools, increasing representation of under represented groups in our workforce and diversity and inclusion plans for each of our projects. Stakeholder engagement in 2020 included a continuation of our client feedback process to improve engagement with our clients; and, our Pathways group comprising colleagues from across the company who provide feedback and share information on key issues.

J. Murphy & Sons Limited

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

6. Stakeholder Relationships and Engagement (continued):

We regularly communicate with our people via a number of channels including team briefings, town halls, our intranet (Greenspace), our internal messaging system, Yammer, and other channels as a when needed.

Our charity committee met six times in 2020 to agree charitable donations and consider requests from across the business.

Additionally, given the impact of COVID and the reduction in normal charitable giving, Murphy set up a Christmas Community Fund of £100,000. Employees were invited to nominate local community groups and charities near to our key offices to receive a donation. With nearly 90 nominations, 30 local groups were successful – from supporting children with special needs to community foodbanks.

Section 172 Companies Act

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

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

The directors note that the long term success of the business since its incorporation in 1951 has been underpinned by its relationships with its employees, its customers, its supply chain and other stakeholders. The directors note that the nature of many of these relationships have been long term.

The directors were pleased during the year to approve contracts with long standing customers such as Irish Water, National Grid, Network Rail and Thames Water.

The directors also consider the fostering of new relationships and is pleased to note that the joint venture relationship with SGN as a co-investor in its utility asset ownership business progressed during 2020.

The directors consider it is important to create a working environment where employees want to work and remain as part of the overall strategy of the Company. The directors have agreed company objectives relating to the retention of employees and the number of apprentices employed. These objectives are reviewed at every board meeting to monitor the retention of existing people and the development of new people joining the business. The focus on employee retention has had a positive impact and improved employee retention.

The directors supported the development of the Social Value and Climate Action plans as part of the renewed Sustainability Policy during the year. The directors consider the key actions in the Social Value and Climate Action plans will enhance the relationship the business has with the communities in which it works.

Principal risks and uncertainties

Murphy manages its financial risks, primarily liquidity, through maintaining a net cash position with committed liquidity headroom through its revolving working capital facility with HSBC. In addition, access is maintained to bonding arrangements and the Group continues to fund plant and equipment renewals using finance leases which it considers to be a more effective use of capital. Cashflow is monitored daily and there are procedures in place to monitor our customers' credit-worthiness.

Principal construction risks and business risk management are managed through the Groups operating structure, and operating and commercial reviews held with senior management. This process is under ongoing review and improvement, under the oversight of the independent oversight of the Risk and Opportunities Board Committee.

The company directors recognise the competitive nature of tendering in the sector, but believes there are robust methodologies in place to understand and manage the risks which may influence project outcomes. As with any business, the Group is exposed to a certain level of credit risk from our clients, but this is mitigated through regular credit checks and updates before working with clients.

A significant number of our major projects are for regulated companies, and subject to strict monitoring procedures. Where this is not the case, performance and cash flow on contracts are closely monitored by the Group's commercial teams and any issues escalated to the senior management when needed.

J. Murphy & Sons Limited

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

Principal risks and uncertainties (continued)

The directors have considered the impact that the coronavirus disease (Covid-19) will have on the Group and have taken measures to mitigate the risk to the Group where possible.

In early March 2020 Gold and Silver response teams were established in order to oversee the Group's response to the Covid-19 pandemic, following the guiding principles of protecting our people and the business. Throughout the pandemic, there have been regular communications with all employees, through email and the Intranet, as well as an employment survey to gather feedback on the business response to Covid-19.

In the UK, where the government has supported continuity of construction throughout the pandemic, the business has continued to operate safely, adhering to the relevant Construction Leadership Council Guidelines. These actions, together with proactive collaboration with our customers and supply chain have ensured there has been no significant impact on operational projects in the UK.

There was a temporary impact to projects in Ireland in 2020 due to government directives on restricting construction activities but projects safely returned to full capacity, adhering to local guidelines, within a short period of time. There has also been disruption in 2021 with further government directives restricting construction activities however projects have now returned safely to full capacity.

Canadian operations was largely unaffected in 2020 as the business followed its regular timetable of demobilising projects in early spring due to seasonal weather conditions and plans to remobilise safely later in the year as originally planned. There has been some restrictions on operations in January and February of 2021. The support services in the Group continued to operate at full capacity with employees working remotely through most of the year.

The directors have also considered the impact of the Brexit transition period on the Group. The Group is working closely with the supply chain, as well as industry peers to assess the potential risks and challenges we may encounter. A Brexit focused survey was undertaken with the supply chain, this has helped to understand and mitigate risks to our projects and clients. The Group has also assessed the current and future workforce and what impact the reduced movement from Brexit will have.

At the date of approving the financial statements, neither Group operations nor work winning activity have been significantly impacted by Covid-19. As the UK Government's roadmap to return society to normal evolves, there is still a risk that global social and economic impacts could have a negative impact on the Group's investments and operating results but the steps described above seek to mitigate this risk.

This report was approved by the board on 18 June 2021 and signed on its behalf.



John Murphy
Director

J. Murphy & Sons Limited

Directors' report for the year ended 31 December 2020

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

Corporate Governance

The directors continue to adopt the Wates Corporate Governance Principles for Large Private Companies as a framework when making a disclosure regarding corporate governance arrangements. Details on how the framework has been applied can be found in the strategic report on pages 2 to 6. The Group has not departed from any corporate governance code identified in the strategic report.

Results and dividends

The profit for the financial year after taxation amounted to £2.2m (2019: £7.9m).

During the year, a dividend of £2.5m was declared and paid in respect of 2019 (2019: £nil).

Future developments

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

Subsequent Events

In March 2021 the Group 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 replaced the credit facility that was in place with Lloyds Bank plc, which was repaid in March 2021.

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:

Alastair Kerr	Chairman	
John Paul Murphy	Chief Executive Officer	
John Patrick Murphy		(appointed 3 September 2020)
David Burke	Chief Financial Officer	(resigned 30 September 2020)
Joseph Ledwidge	Chief Financial Officer	(appointed 1 February 2021)
David Huw Davies		
Deborah Lodge		
Clare Mara		
James Murphy		
Dr Karina Murphy		
Kathleen Murphy		
Michael Toms		

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. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors. This indemnity is provided for all Group companies.

Charitable donations

The Group made charitable donations of £0.1m (2019: £0.1m) during the year.

J. Murphy & Sons Limited

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

Employee engagement

The Group depends on the skills and commitment of its employees in order to achieve its objectives. Staff at every level are encouraged and incentivised to focus on their personal development and make their fullest possible contribution to the Group.

The Group's selection, training, development and promotion policies are designed to ensure equal opportunities for all employees, regardless of gender, marital status, race, age or disability.

The Group engages with its employees in a number of different ways. There is personal engagement by the executive team through the three safety events held through the year; Safestart, One Summer and One Winter. At these sessions employees are briefed on key safety messages as well as updates on the business and its plans. There are a variety of electronic communications with employees combining intranet, e mail and an internal messaging system called Yammer. The Chief Executive Officer takes questions at regular events on Yammer. The Group undertakes an annual employee engagement survey together with regular pulse surveys where employees are invited to give feedback about their experience of working in the business. The results of the surveys are reviewed by the executive team and the Board. The Group has set key targets in its People Strategy focusing on the level of emerging talent in the business, the filling of internal vacancies by internal candidates and the level of representation from under represented groups.

Employment opportunities are available to disabled persons in accordance with their abilities and aptitudes on equal terms with other employees. If an employee becomes disabled during employment, we make every effort to enable them to continue employment by making reasonable adjustments in the workplace and retraining for alternative work where necessary.

The directors have included information relating to the engagement with stakeholders, customers, suppliers and employees in the section 172 part of the Strategic report.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors' report and the Group and parent Company financial statements (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 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.

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 Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

J. Murphy & Sons Limited

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

Going concern

The Group continues to meet its day to day working capital requirements. The Group had £208.6m of cash (of which £206.9m was unrestricted) at the year end. In March 2021, the Group secured a facility with HSBC Bank plc for a three years. This initially provides £30m which is available for working capital, increasing to £50m providing certain conditions are met. This replaced the working capital facility that was in place with Lloyds Bank group.

Despite having maintained a strong liquidity position, as a precautionary measure, the Group decided in the light of the Covid-19 pandemic to draw down £30m from the Lloyds facility on 14 April 2020 and place the funds on separate deposit. This was repaid in full during March 2021.

The directors have considered what impact the Covid-19 pandemic will have on the Group 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 without use of the HSBC facility.

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.

Taking these into account, the directors are of the opinion that the Group has adequate liquidity headroom and mitigation strategies to continue to operate for at least the next 12 months from approval of these financial statements. Thus, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 Group'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.

Streamlined energy and carbon reporting

Following the introduction of the new Streamlined Energy and Carbon Reporting framework, the directors present their report on the performance on the Group.

Energy efficiency action

Energy efficiency action taken during 2020 includes improved vehicle & plant efficiency through purchase of state of the art, environmentally conscious, plant, equipment and machinery for our projects. There was an increased use of innovative low carbon technologies including electric, hybrid and hydrogen powered equipment. There were also improvements made to the tracking of consumption, which has allowed the Group to target efficiency more effectively.

Other actions taken include:

- Installation of 20 Electrical car charging points across the UK, in every office, and increased the number of electric / hybrid vehicles in our fleet.
- Focus on waste management leading to increased recycling and reuse rates and continued progress towards our "Zero to Landfill" ambition. Greater contribution towards a circular economy through our focus on Resource Productivity resulting in less waste generated and energy usage.
- Project efficiencies: Lower project carbon footprints through better planning to remove reliance on fossil fuel combustion – more electrical connections where feasible rather than relying on generators, efficient deployment of staff, use of local suppliers and remote access meetings.
- Improve energy efficiency in company offices / site accommodation through efficient generation, alternative fuels strategies and embracing technological advancements.

J. Murphy & Sons Limited

Streamlined energy and carbon reporting (continued)

A GHG emissions management plan and associated reduction targets have been developed. We aim to be "Net Zero" in terms of greenhouse gas emissions by 2030, and "Net Carbon positive" by 2050 for all emission sources.

Results

Following our latest Carbon Emissions certification audit for the UK, we've successfully achieved our "Carbon Reduce" (formerly CEMARS) certification for the past 12 years. Results for the UK are:

	2019 - Verified GHG Emissions			2020 - GHG Emissions*			% Change in Intensity
	kWh	tCO2e	tCO2e/£m	kWh	tCO2e	tCO2e/£m	
Electricity	4,494,953	1,148.9	1.71	5,382,305	1,255	1.54	(9.69)
Fuel	83,923,673	22,695.1	33.77	80,575,186	21,790	26.81	(20.61)
Natural Gas	766,805	156.8	0.23	729,396	149	0.18	(21.34)

*Pending verification

Methodology used:

The Group meets the requirements of Carbon Reduce (formerly CEMARS) certification (Certificate No: 2020099J, expiry: 15/09/21), having measured its greenhouse gas emissions in accordance with ISO 14064-1:2006 and committed to managing and reducing its emissions in respect of the operational activities of its UK organisation, including Joint Ventures (JVs).

The operational control consolidation approach has been used to account for operational emissions with reference to the methodology described in the GHG Protocol and ISO 14064-1:2006 standards. Equity share has been used for JVs. Excluded emissions do not exceed 5% of the total footprint for organisation stated. Data was collected for each GHG emissions source using supplier / transaction records. The source of the data and an explanation of any uncertainties or assumptions made were audited as part of ISO certification. Estimated numerical uncertainties are reported with the emissions calculations and results.

All data was calculated using GHG emissions factors as published by the Department for the Environment, Food and Rural Affairs (DEFRA). A calculation methodology has been used for quantifying the GHG emissions inventory using emissions source activity data multiplied by GHG emissions or removal factors. The GHG emissions sources included in this inventory are those required for Programme certification and were identified with reference to the methodology described in the GHG Protocol and ISO14064-1:2006 standards. Identification of emissions sources was achieved via communications with suppliers and the Group and cross-checked against operational expenditure records for the reporting period. These records were viewed in order to see what activities may be associated with emissions from all of the operations.

2019 data disclosed is externally verified and accepted as part of ISO certification, with the same methodology used to project 2020 results included in this declaration, due for external verification by Achilles Assessment Services in June 2021.

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 that the auditors, RSM UK Audit LLP are re-appointed in accordance with Section 485 of the Companies Act 2006.

This report was approved by the board on 18 June 2021 and signed on its behalf.



J Ledwidge
Director

J. Murphy & Sons Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF J. MURPHY & SONS LIMITED

Opinion

We have audited the financial statements of J. Murphy & Sons Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 December 2020 which comprise of the Consolidated Profit and Loss account, Consolidated and Company Statements of Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated and Company Statements of Changes in Equity, Consolidated Statement of Cash Flows 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 group's and of the parent company's affairs as at 31 December 2020 and of the group's 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 group and parent 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 group's or the parent 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.

J. Murphy & Sons Limited

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.

Matters on which we are required to report by exception

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8[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 group's and the parent 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 group or the parent 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.

J. Murphy & Sons Limited

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

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

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are 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, distributable profits legislation and UK pensions and tax compliance legislation. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included agreeing the financial statement disclosures to underlying supporting documentation, review of board meeting minutes, and enquiries with management and the legal team.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety. We performed audit procedures to inquire of management whether the group is in compliance with these laws and regulations and inspected legal costs, board minutes, and other relevant sources for evidence of undisclosed issues.

The group audit engagement team identified the risk of management override of controls and management bias in accounting estimates 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 that represented a risk of material misstatement due to fraud. We challenged assumptions and judgements made by management in their significant accounting estimates, in particular 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; the valuation of properties and defined benefit pension scheme accounting.

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.

Andrew Monteith (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 18th June 2021

J. Murphy & Sons Limited

Consolidated Profit and Loss account for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Total revenue		1,115,923	880,240
Less: share of joint ventures' revenue		(2,135)	(5,084)
Turnover	3	1,113,788	875,156
Cost of sales		(1,041,783)	(806,190)
Gross profit		72,005	68,966
Administrative costs		(68,985)	(74,103)
Other operating income		9,916	6,214
Group operating profit	4	12,936	1,077
(Loss) / surplus on revaluation of investment properties	12	(128)	5,673
Share of loss in joint venture, post-tax	13	(924)	(1,404)
Profit on sale of subsidiary		-	2,893
Interest receivable	7	154	236
Interest payable	8	(2,536)	(1,466)
Profit before taxation		9,502	7,009
Tax on profit	9	(7,261)	876
Profit for the financial year	23	2,241	7,885
Profit attributable to:			
- Owners of the parent		2,241	7,885
		2,241	7,885

All amounts relate to continuing operations.

The notes on pages 20 to 55 form part of these financial statements.

J. Murphy & Sons Limited

Consolidated Statement of Comprehensive Income for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Profit for the financial year	23	2,241	7,885
Other Comprehensive Loss:			
Remeasurement loss recognised in pension scheme	21	(6,620)	(464)
Movement on tax relating to pension deficit	9	1,601	88
Currency translation differences	23	796	(790)
Other Comprehensive Loss for the year, net of tax		(4,223)	(1,166)
Total Comprehensive Income for the year		(1,981)	6,719
Total Comprehensive Income attributable to:			
- Owners of the parent		(1,981)	6,719
- Non-controlling interest		-	-
		(1,981)	6,719

Company Statement of Comprehensive Income for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Loss for the financial year	23	(24,642)	(18,552)
Other Comprehensive Loss:			
Remeasurement loss recognised in pension scheme	21	(6,620)	(464)
Movement on tax relating to pension deficit	9	1,601	88
Other Comprehensive Loss for the year, net of tax		(5,019)	(376)
Total Comprehensive Loss for the year		(29,661)	(18,928)
Total Comprehensive Loss attributable to:			
- Owners of the parent		(29,661)	(18,928)
- Non-controlling interest		-	-
		(29,661)	(18,928)

The notes on pages 20 to 55 form part of these financial statements.

J. Murphy & Sons Limited

Consolidated Balance Sheet as at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Positive goodwill	10	3,023	3,321
Negative goodwill	10	(817)	(344)
Net goodwill	10	2,206	2,977
Intangible assets	11	11,862	13,223
Tangible assets	12	203,516	183,210
Investments in joint ventures	13	3,234	2,796
Total fixed assets		220,818	202,206
Current assets			
Stocks	15	7,726	10,940
Debtors	16	173,477	221,076
Cash at bank and in hand		208,618	71,061
Total current assets		389,821	303,077
Creditors: amounts falling due within one year	17	(356,512)	(257,944)
Net current assets		33,309	45,133
Total assets less current liabilities		254,127	247,339
Creditors: amounts falling after due more than one year	18	(19,525)	(19,387)
Provision for liabilities	19	(8,500)	(2,344)
Post-employment benefits	21	(19,495)	(14,519)
Net assets		206,607	211,089
Capital and reserves			
Called up share capital	22	2,543	2,543
Profit and Loss account	23	204,157	208,639
Total equity attributable to owners of the parent		206,700	211,182
Non-controlling interest		(93)	(93)
Total equity		206,607	211,089

The financial statements on pages 14 to 55 were approved by the board of directors on 18 June 2021 and were signed on its behalf by:



J Ledwidge
Director

Registered number: 492042

The notes on pages 20 to 55 form part of these financial statements.

J. Murphy & Sons Limited

Company Balance Sheet as at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	11	11,432	12,631
Tangible assets	12	23,162	22,602
Investments	14	837	837
Total fixed assets		35,431	36,070
Current assets			
Stocks	15	2,765	3,236
Debtors	16	256,934	296,039
Cash at bank and in hand		169,934	55,352
Total current assets		429,633	354,627
Creditors: amounts falling due within one year	17	(310,835)	(209,118)
Net current assets		118,798	145,509
Total assets less current liabilities		154,229	181,579
Creditors: amounts falling after more than one year	18	(869)	(1,034)
Post-employment benefits	21	(19,495)	(14,519)
Net assets		133,865	166,026
Capital and reserves			
Called up share capital	22	2,543	2,543
Profit and Loss account	23	131,322	163,483
Total equity		133,865	166,026

The directors have taken the exemption provided by Section 408 of the Companies Act 2006 and have not presented a profit and loss account for the Company. The loss for the year of the Company was £24,642,000 (2019: loss of £18,552,000).

The financial statements on pages 14 to 56 were approved by the board of directors on 18 June 2021 and were signed on its behalf by:



J Ledwidge
Director

The notes on pages 20 to 55 form part of these financial statements.

J. Murphy & Sons Limited

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

	Note	Called up share capital £'000	Profit and Loss account £'000	Total equity attributable to owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
Balance as at 1 January 2019		2,543	201,920	204,463	(93)	204,370
Profit for the financial year	23	-	7,885	7,885	-	7,885
Other Comprehensive Loss for the year		-	(1,166)	(1,166)	-	(1,166)
Total Comprehensive Income for the year		-	6,719	6,719	-	6,719
Dividends	24	-	-	-	-	-
Balance as at 31 December 2019		2,543	208,639	211,182	(93)	211,089
Balance as at 1 January 2020		2,543	208,639	211,182	(93)	211,089
Profit for the financial year	23	-	2,241	2,241	-	2,241
Other Comprehensive Loss for the year		-	(4,223)	(4,223)	-	(4,223)
Total Comprehensive Income for the year		-	(1,982)	(1,982)	-	(1,982)
Dividends	24	-	(2,500)	(2,500)	-	(2,500)
Balance as at 31 December 2020		2,543	204,157	206,700	(93)	206,607

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

	Note	Called up share capital £'000	Profit and Loss account £'000	Total equity £'000
Balance as at 1 January 2019		2,543	182,411	184,954
Loss for the financial year	23	-	(18,552)	(18,552)
Other Comprehensive Loss for the year		-	(376)	(376)
Total Comprehensive Loss for the year		-	(18,928)	(18,928)
Dividends	24	-	-	-
Balance as at 31 December 2019		2,543	163,483	166,026
Balance as at 1 January 2020		2,543	163,483	166,026
Loss for the financial year	23	-	(24,642)	(24,642)
Other Comprehensive Loss for the year		-	(5,019)	(5,019)
Total Comprehensive Loss for the year		-	(29,661)	(29,661)
Dividends	24	-	(2,500)	(2,500)
Balance as at 31 December 2020		2,543	131,322	133,865

The notes on pages 20 to 55 form part of these financial statements.

J. Murphy & Sons Limited

Consolidated Statement of Cash Flows for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Cash generated from operating activities	25	126,010	28,624
Taxation received		1,433	2,416
Net cash generated from operating activities		127,443	31,040
Cash flow (used in) / generated from investing activities			
Purchase of tangible assets		(13,479)	(7,331)
Purchase of intangible assets		(501)	(5,185)
Proceeds from disposal of tangible assets		2,585	1,682
Acquisition of joint venture		0	(296)
Interest received	7	154	236
Net cash used in investing activities		(11,241)	(10,894)
Cash flow used in financing activities			
Dividends paid	24	(2,500)	-
Interest paid	8	(2,265)	(1,063)
New loans		30,000	948
Repayment of equipment loans		(2,108)	(75)
Repayment of obligations under finance leases		(9,652)	(12,228)
Net cash generated from / (used in) financing activities		13,475	(12,418)
Net increase in cash and cash equivalents		129,677	7,728
Cash acquired		7,880	-
Cash and cash equivalents at the beginning of the year		71,061	63,333
Cash and cash equivalents at the end of the year		208,618	71,061
Cash and cash equivalents consist of:			
Cash at bank and in hand		208,618	71,061
Cash and cash equivalents		208,618	71,061

The notes on pages 20 to 55 form part of these financial statements.

J. Murphy & Sons Limited

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

1 Accounting policies

General information

J. Murphy & Sons Limited ("the Company") and its subsidiary undertakings ("the Group") undertake delivery of major infrastructure programmes in the United Kingdom, Ireland and internationally, together with related plant and specialist construction activities including piling and ground engineering, structural steel fabrication and pipelines testing services. The business also engages in selective property development activities.

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

Statement of compliance

The Group and individual financial statements of J. Murphy & Sons 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.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and Company financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation of financial statements

The financial statements are prepared in pounds sterling which is the functional currency of the Group and Company and are presented to the nearest thousand pounds.

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

Going concern

The Group continues to meet its day to day working capital requirements. The Group had £208.6m of cash (of which £206.9m was unrestricted) at the year end. In March 2021, the Group secured a facility with HSBC Bank plc for a three years. This initially provides £30m which is available for working capital, increasing to £50m providing certain conditions are met. This replaced the working capital facility that was in place with Lloyds Bank group.

Despite having maintained a strong liquidity position, as a precautionary measure, the Group decided in the light of the Covid-19 pandemic to draw down £30m from the Lloyds facility on 14 April 2020 and place the funds on separate deposit. This was repaid in full during March 2021.

The directors have considered what impact the Covid-19 pandemic will have on the Group 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 without use of the HSBC facility.

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.

Taking these into account, the directors are of the opinion that the Group has adequate liquidity headroom and mitigation strategies to continue to operate for at least the next 12 months from approval of these financial statements. Thus, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

J. Murphy & Sons Limited

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

1 Accounting policies (continued)

Exemptions for qualifying entities under FRS 102 (applicable to the company only)

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Group's shareholders. The company has taken advantage of the following exemptions:

- from preparing a Statement of cash flows for the Company;
- from disclosing the Company key management personnel compensation, as allowed by FRS 102 paragraph 33.7.

Basis of consolidation

The financial statements consolidate the financial statements of J. Murphy & Sons Limited and all of its subsidiary undertakings ('subsidiaries'). All financial statements are prepared to 31 December 2020.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date control is obtained.

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the date of change of control.

Where shares in a subsidiary are disposed of, the gain or loss on disposal is recognised in the Consolidated profit and loss account. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in Other Comprehensive Income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

The directors have taken the exemption provided by Section 408 of the Companies Act 2006 and have not presented a profit and loss account for the Company.

Business combinations

Business combinations are accounted for using the acquisition accounting method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquired company. The acquired company's identifiable assets, liabilities and contingent liabilities are recognised at their fair value as at the acquisition date. The cost of acquisition includes any costs incurred that are directly attributable to the business combination.

Goodwill

Positive goodwill arising on acquisition is initially measured at cost, being the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired. Subsequent to initial recognition positive goodwill is amortised on a straight line basis over its useful life. The determination of the useful life is based on a variety of factors such as the expected use of the acquired business and the expected life of the anticipated cashflows to which the goodwill is attributed. Other factors such as market, legal and regulatory conditions are also considered.

Positive goodwill is reviewed for impairment at least annually. Any impairment is recognised immediately in the Consolidated profit and loss account and is not subsequently reversed.

Negative goodwill on acquisitions is recognised when the cost of acquisition is less than the net amount of the fair value of identifiable assets acquired. It is stated at fair value less accumulated amortisation, which is credited to the Consolidated profit and loss account over the same period as the non-monetary assets acquired.

If a subsidiary, associate or business is subsequently sold or discontinued, any goodwill arising on acquisition that has not been amortised through the Consolidated profit and loss account is taken into account in determining the profit or loss on sale or discontinuance.

J. Murphy & Sons Limited

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

1 Accounting policies (continued)

Intangible assets

Intangible assets comprise software development costs and amounts paid for acquisition of certain framework contracts which are stated at cost less accumulated amortisation and accumulated impairment losses. Costs incurred in bringing software assets into use are capitalised as intangible assets. Costs include the original purchase price and costs directly attributable to bring the asset to its working condition for its intended use. Software development costs are amortised on a straight-line basis over their estimated useful lives, from the date the asset is available for use. Useful lives are determined by considering the intended use of the asset, technological changes and other legal and regulatory factors. Framework contracts are amortised on a straight-line basis over the term of the framework contracts. Intangible assets are reviewed annually for indicators of impairment.

The useful life for software development costs is 3 to 10 years.

Assets under development are amortised over the expected useful life when the underlying technology is brought into use.

Tangible assets and depreciation

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Costs include the original purchase price and costs directly attributable to bring the asset to its working condition for its intended use.

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

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

	Years
Buildings	20 – 40
Plant and machinery	3 – 12
Motor vehicles	4 – 5
Computer and other equipment	3 – 5

Land is not depreciated.

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

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

Investment properties

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.

Investments

Investments in subsidiary undertakings and jointly controlled entities are held at cost less accumulated impairment losses. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Any changes in carrying values are recognised in the company profit and loss account.

Non-controlling interests

The interest of non-controlling shareholders in the acquired company is initially measured at their proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

J. Murphy & Sons Limited

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

1 Accounting policies (continued)

Jointly controlled operations

The Group enters into arrangements with partners to bid for and fulfil certain contracts. Where the arrangement involves the use of assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity to undertake a project or framework of projects, the Group classifies this as a jointly controlled operation.

The Group's share of turnover and costs from participation in construction joint operations are accounted for on a direct basis, and are included in the Consolidated profit and loss account. The Group recognises its share of the assets and liabilities of joint operations on a line by line basis.

Jointly controlled entities

A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity. The Group applies equity accounting to its jointly controlled entities. The Group brings the investment in the jointly controlled entity into its financial statements initially at cost, identifying any goodwill or negative goodwill arising. The carrying amount of the investment is adjusted in each period by the Group's share of the results of the jointly controlled entity. The Group's share of the jointly controlled entity's results is recognised in its profit and loss account. The Group's cash flow statement includes the cash flows between the Group and its jointly controlled entities.

The carrying value of investments in joint ventures is reviewed for impairment at least annually and any impairment is recognised in the Consolidated profit and loss account.

Stocks

Raw materials and consumables stock are items held for use on construction projects. Raw materials and consumables cost is the purchase price and is determined on the first-in, first-out (FIFO) method and is recognised as an expense in the year in which the related revenue is recognised.

Property for development comprises sites held in order to be developed for sale, or 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 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 multiplied by the estimated total cost of the development. All stock categories are stated at the lower of cost and estimated selling price less costs to sell, having taken into accounts obsolete and slow moving items.

At the end of each reporting period stock is assessed for impairment. In the case of development sites this assessment includes input from independent professional valuers in estimating development site fair value. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the Consolidated profit and loss account. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the Consolidated profit and loss account.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, short term deposits held with banks and highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

J. Murphy & Sons Limited

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

1 Accounting policies (continued)

Employee benefits

The Group operates both Defined Benefit and Defined Contribution pension schemes for certain employees.

(a) Defined Benefit pension scheme

A Defined Benefit pension plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration.

The liability recognised in the balance sheet in respect of the Defined Benefit pension plan is the present value of the Defined Benefit pension obligation at the reporting date less the fair value of the plan assets at the reporting date.

The Defined Benefit pension obligation is calculated using the projected unit credit method. Annually the Group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ("discount rate").

A curtailment is recognised in profit and loss where there is an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of Defined Benefit for some or all of their future service.

Remeasurement gains and losses arising from experience adjustments and changes in remeasurement assumptions are charged or credited to Other Comprehensive Income in the period they occur. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as "Remeasurement gain or loss recognised in pension scheme". Re-measurements are not classified to profit and loss account in subsequent periods. Adjustments for equalisation of past service costs are charged to the profit and loss account in the year they are identified.

The net interest element is determined by multiplying the net defined benefit pension scheme liability by the discount rate, at the start of the period taking into account any changes in the net liability during the period as a result of contribution and benefit payments. The net interest cost is recognised in the profit or loss as other interest receivable or payable.

(b) Defined Contribution schemes

For Defined Contribution schemes, the amount recognised in the Consolidated profit and loss account is equal to the Company's contributions payable to the schemes during the year.

(c) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Financial instruments

(a) Trade debtors and other receivables

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

(b) Amounts recoverable on contracts / payments on account

Amounts recoverable on contracts are valued at cost plus attributable profit, less anticipated future losses to completion. Cash received on account has been deducted to show amounts recoverable on contracts which are included in debtors. Where cash received exceeds valuation, the balance is included as payments received on account within creditors. The amount by which accruals or provisions for foreseeable losses exceed costs incurred, after transfer to cost of sales, is included within creditors.

J. Murphy & Sons Limited

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

1 Accounting policies (continued)

(c) 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 Consolidated profit and loss account.

Share capital

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

Preference shares are classified as equity as the holders have no voting rights, there is no fixed maturity and there is no contractual obligation to make any payments. The preference shares are recorded at the value of consideration received.

Revenue recognition

Revenue comprises revenue recognised by the Group in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Revenue from construction and similar contracts is recognised on an individual contract basis based on the level of work performed, as estimated by the percentage of costs incurred against total forecast cost, taking into account expected contract profitability. This method relies on estimates of total expected contract turnover and costs, as well as reliable measurement of the progress made towards completion. Claims and variations are included in contract turnover only when negotiations have reached an advanced stage such that it is probable that the claim will be recoverable.

Where the final outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. Where the outcome of a contract cannot be estimated reliably, costs are expensed in full when incurred and revenue is only recognised to the extent that it is probable that it will be recoverable.

Recognised revenue and profits are subject to revision during the contract if the assumptions regarding the overall contract outcome are changed. The cumulative impact of a revision in estimates is recorded in the period in which such revisions become likely and can be estimated. Where the actual and anticipated estimated costs to completion exceed the estimated turnover for a contract, the total amount of the expected loss is recognised immediately.

Revenue earned from the sale of property assets held for sale is recognised when the sale of each residential property unit has reached legal completion (i.e. legal control of the asset is transferred to the purchaser).

Tender Costs

Tender costs are expensed in the period in which they are incurred.

Other operating income

Other operating income comprises rental income in respect of leasing property during the year. Rental income comprises revenue recognised by the Group in respect of renting out investment properties during the year, exclusive of Value Added Tax and is recognised property by property in the Consolidated profit and loss account on a straight-line basis over the period of the lease, within Other operating income. Also included in other operating income are amounts received in respect of Government grants.

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

J. Murphy & Sons Limited

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

1 Accounting policies (continued)

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Consolidated 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 or deferred taxation assets and liabilities are not discounted.

(a) Current tax

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

(b) Deferred tax

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

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

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

Finance lease assets

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

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

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

Operating leases

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

J. Murphy & Sons Limited

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

1 Accounting policies (continued)

Foreign currency - Company

All transactions denominated in a foreign currency have been translated into sterling at the exchange rate in operation at the date on which the transactions occurred. Monetary assets and liabilities denominated in a foreign currency have been translated at the rate of exchange ruling at the balance sheet date. All differences have been taken to the profit and loss account.

Foreign currency - Group

The Group financial statements are presented in pounds sterling.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The assets and liabilities of overseas subsidiary undertakings are translated into the presentational currency at the rate of exchange ruling at the balance sheet date. Income and expenses of overseas subsidiary undertakings are translated at the average exchange rate for the year. Resulting exchange differences are recognised in the Consolidated statement of comprehensive income.

Related party transactions

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

2 Critical accounting judgements and estimation uncertainty

In the preparation of the consolidated 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 Group.

Critical accounting estimates and judgements

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

(a) Revenue recognition and contract losses

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. In the early stages of a contract, profit is recognised cautiously reflecting the early maturity of the contract's risk profile. The estimates involved in revenue and profit recognition involve considerable degrees of 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 will result in changes to the level of revenue and profit recognised in the next and future financial years.

(b) Carrying value of trade debtors, amounts recoverable on contracts and other receivables

The Group makes an estimate of the recoverable value of trade debtors, amounts recoverable on contracts and other receivables (see note 16). When assessing impairment of trade debtors, amounts recoverable on contracts and other receivables, management considers factors including the current credit rating of the trade debtors, the ageing profile of the trade debtors and historical experience. Allowance for doubtful debt provisions against billed debtors, amounts recoverable on contracts and other receivables are made on a specific basis, based on estimates of irrecoverability determined by market knowledge and past experience.

J. Murphy & Sons Limited

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

2 Critical accounting judgements and estimation uncertainty (continued)

(c) Defined Benefit pension scheme

The Group has disclosed in note 21 the assumptions used in calculating the Defined Benefit pension scheme obligations. In performing the calculation a number of assumptions around future salary increases, increase in pension benefits, mortality rates, inflation and discount rates have been made. Due to the complexity of the valuation, the underlying assumptions and the long term nature of the defined benefit pension scheme, such estimates are subject to significant uncertainty.

(d) Investment properties

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 12 for the assumptions.

(e) Carrying value of property for development

Inventories of property for development are stated in the balance sheet at the lower of cost and net realisable value. Due to the nature of development activity and, in particular, the length of the development cycle, the Group has to allocate site-wide development costs between completed units and those to be completed in future years. The factors affecting allocation are set out in the accounting policy section on stocks on page 23. The Group also has to make estimates of the costs to complete for such developments and the need for any impairment loss, calculated by reference to independent professional valuations. These estimates are reflected in the margin recognised on developments in relation to sales recognised in the current and future years and the carrying value of the inventory.

(f) Deferred tax

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

(g) Plant and machinery

Plant and machinery included within tangible assets has a significant carrying value (see note 12). Plant and machinery is depreciated on a straight-line basis. The useful lives of tangible assets are reviewed regularly in light of technological change, prospective utilisation and the physical condition of the assets. Plant and machinery is reviewed annually for indicators of impairment.

J. Murphy & Sons Limited

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

3 Turnover

The directors consider that turnover earned relates entirely to the same category of business, which is construction work in building, civil engineering and allied trades executed during the year, exclusive of value added tax. The Group turnover by geographical market is analysed as follows:

	2020 £'000	2019 £'000
United Kingdom and Ireland	946,240	757,578
Rest of the World	167,548	117,578
	1,113,788	875,156

4 Group operating profit

	2020 £'000	2019 £'000
This is stated after charging / (crediting):		
Staff costs (Note 5)	255,746	245,870
Amortisation of positive goodwill (Note 10)	484	477
Amortisation of negative goodwill (Note 10)	(113)	(106)
Amortisation of intangible assets (Note 11)	1,862	1,221
Depreciation of tangible assets (Note 12)	17,818	14,462
Profit on disposal of tangible fixed assets	(2,218)	(830)
Losses due to benefit changes (Note 21)	83	-
Operating lease charges	5,793	5,637
Auditors' remuneration		
– audit of Company and Group financial statements	318	359
– audit of subsidiaries	225	210
– taxation services	-	10

The figures for auditor's remuneration for the company required by regulation 5(1)(b) of the companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 are not presented as the consolidated Financial Statements comply with this regulation on a consolidated basis.

J. Murphy & Sons Limited

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

5 Employee information

Group	2020 £'000	2019 £'000
Wages and salaries	227,398	212,653
Social security costs	20,825	25,394
Other pension costs	7,523	7,823
	255,746	245,870

The monthly average number of employees, including directors, during the year was as follows:	2020 Number	2019 Number
Management	60	63
Production	3,138	2,923
Administration	564	661
	3,762	3,647

Company	2020 £'000	2019 £'000
Wages and salaries	163,487	165,520
Social security costs	17,878	18,259
Other pension costs	6,004	6,718
	187,369	190,497

The monthly average number of employees, including directors, during the year was as follows:	2020 Number	2019 Number
Management	47	48
Production	2,475	2,429
Administration	391	440
	2,913	2,917

6 Directors' remuneration

Directors' remuneration	2020 £'000	2019 £'000
Aggregate remuneration	1,465	1,645
Money purchase pension contributions	38	43
Benefits in kind	7	29
	1,510	1,717

J. Murphy & Sons Limited

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

6 Directors' remuneration (continued)

	2020	2019
	£'000	£'000
Highest paid director		
Aggregate remuneration	853	541
	853	541

There are four (2019: three) directors to whom post-employment benefits are accruing under money purchase schemes. There is no participation by any directors in a Defined Benefit scheme. For the highest paid director, there was no exercise of any share options and no participation in a Defined Benefit pension scheme.

Key management compensation

Key management includes the directors and members of senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	2020	2019
	£'000	£'000
Salaries and other short-term benefits	4,606	3,351
Post-employment benefits	235	149
	4,841	3,500

7 Interest receivable

	2020	2019
	£'000	£'000
Bank and other interest receivable	154	236
	154	236

8 Interest payable

	2020	2019
	£'000	£'000
Net Defined Benefit pension interest expense (Note 21)	271	402
Bank and other interest payable	1,093	22
Interest on finance leases	1,172	1,042
	2,536	1,466

J. Murphy & Sons Limited

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

9 Tax on profit

Tax credit included in the Consolidated profit and loss account

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax at 19% (2019: 19%)		
- current year	(1,063)	(3,070)
- adjustments in respect of previous periods	1,002	(1,338)
Total current tax	(61)	(4,408)
Deferred tax:		
Accelerated capital allowances and other timing differences	4,839	4,453
Changes in tax laws and rates	795	(233)
Adjustments in respect of previous periods	1,688	(688)
Total deferred tax	7,322	3,532
Tax credit on loss	7,261	(876)

Tax charge included in the Consolidated Statement of Comprehensive Income

Current tax:		
UK corporation tax	(312)	88
Deferred tax:		
Origination and reversal of timing differences	(1,289)	-
Total tax charge included in the Consolidated statement of comprehensive income	(1,601)	88

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

	2020 £'000	2019 £'000
Profit before taxation	9,502	7,009
Share of loss in joint venture, post taxation	924	1,404
Profit before taxation excluding share of loss in joint venture	10,426	8,413
Profit before taxation excluding share of loss in joint venture multiplied by standard rate in the UK of 19% (2019: 19%)	1,981	1,598
Effects of:		
Expenses not deductible for tax purposes	90	342
Income not taxable	(30)	(623)
Changes in tax rates	795	(220)
Deferred tax not recognised	727	(135)
Adjustments in respect of previous periods	2,690	(2,026)
Effects of group relief	-	(121)
Difference in rate of tax overseas	1,008	309
Tax (charge) / credit for the year	7,261	(876)

J. Murphy & Sons Limited

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

9 Tax on profit (continued)

Deferred tax assets of £2,068,000 (2019: £2,011,000) have not been recognised.

Factors affecting future tax charges

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries. As the earnings are continually reinvested by the overseas subsidiaries, no tax is expected to be payable on them in the foreseeable future.

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 expense for the period and the deferred tax liability by £2,386,000.

10 Goodwill

Cost	Negative Goodwill £'000	Positive Goodwill £'000	Total £'000
At 1 January 2020	(551)	4,634	4,083
Cost	(586)	-	(586)
Exchange difference	-	269	269
Year ended 31 December 2020	(1,137)	4,903	3,766
Amortisation			
At 1 January 2020	(207)	1,313	1,106
Charge / (credit) for the year	(113)	484	371
Exchange difference	-	83	83
At 31 December 2020	(320)	1,880	1,560
Net book value			
At 31 December 2020	(817)	3,023	2,206
At 31 December 2019	(344)	3,321	2,977

Positive goodwill has arisen on the acquisition of Murphy Process Engineering Limited and is being amortised on a straight line basis over a period of 10 years, based on the directors' estimate of its useful life.

Negative goodwill has arisen on the acquisition of Murphy Eltel JV Limited and is being amortised on a straight line basis to May 2023, being the period over which the value of the non-monetary assets acquired are expected to be recovered.

J. Murphy & Sons Limited

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

11 Intangible assets

Group	Assets under development £'000	Other intangible assets in use £'000	Software Development in use £'000	Total £'000
Cost				
At 1 January 2020	42	888	14,021	14,951
Additions	101	-	400	501
Disposals	-	-	-	-
Transfers	-	-	-	-
Year ended 31 December 2020	143	888	14,421	15,452
Amortisation				
At 1 January 2020	-	338	1,390	1,728
Charge for the year	-	178	1,684	1,862
At 31 December 2020	-	516	3,074	3,590
Net book value				
At 31 December 2020	143	372	11,347	11,862
At 31 December 2019	42	550	12,631	13,223

Software development in use is being amortised on a straight line basis over a period of 3-10 years, from the date the asset became available for use. The amortisation charge is recognised in the profit and loss account within administration expenses.

Other intangible assets in use consist of the amount paid by the Group to acquire the NG Utility frameworks during the previous year and are being amortised on a straight line basis over a period of 5 years, the life of the frameworks. The amortisation charge is recognised in the profit and loss account within cost of sales.

Assets under development comprise amounts capitalised in respect of patents for technology under development and will be amortised over the expected useful life when the underlying technology is brought into use.

J. Murphy & Sons Limited

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

11 Intangible assets (continued)

Company	Assets under development £'000	Software Development in use £'000	Total £'000
Cost			
At 1 January 2020	-	14,021	14,021
Additions	85	400	485
Disposals	-	-	-
Transfers	-	-	-
Year ended 31 December 2020	85	14,421	14,506
Amortisation			
At 1 January 2020	-	1,390	1,390
Charge for the year	-	1,684	1,684
At 31 December 2020	-	3,074	3,074
Net book value			
At 31 December 2020	85	11,347	11,432
At 31 December 2019	-	12,631	12,631

Software development in use is being amortised on a straight line basis over a period of 3-10 years, from the date the asset became available for use. The amortisation charge is recognised in the profit and loss account within administration expenses.

Assets under development comprise amounts capitalised during development of software and will be amortised over its expected useful life when the asset is brought into use.

J. Murphy & Sons Limited

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

12 Tangible assets

Group	Investment properties £'000	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Computer and other equipment £'000	Assets under development £'000	Total £'000
Cost / Valuation							
At 1 January 2020	103,110	25,464	93,518	30,268	6,018	-	258,378
Additions	-	34	24,494	7,964	910	4,794	38,196
Disposals	(117)	(29)	(4,940)	(4,628)	-	-	(9,714)
Revaluation	(128)	-	-	-	-	-	(128)
Transfers	-	4,216	578	-	3	(4,794)	3
Intercompany disposals	-	-	(586)	-	-	-	(586)
Exchange difference	-	282	287	171	94	278	1,112
At 31 December 2020	102,865	29,967	113,351	33,775	7,025	278	287,261
Depreciation							
At 1 January 2020	-	3,747	48,526	18,055	4,840	-	75,168
Charge for the year	-	1,267	11,774	4,053	724	-	17,818
Disposals	-	-	(4,757)	(4,472)	-	-	(9,229)
Transfers	-	-	-	-	4	-	4
Intercompany disposals	-	-	(586)	-	-	-	(586)
Exchange difference	-	58	323	94	95	-	570
At 31 December 2020	-	5,072	55,280	17,730	5,663	-	83,745
Net book value							
At 31 December 2020	102,865	24,895	58,071	16,045	1,362	278	203,516
At 31 December 2019	103,110	21,717	44,992	12,213	1,178	-	183,210

The historical cost of investment properties is £26,494,000 (2019: £26,494,000).

The 2020 valuations were 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:

	Industrial property		Open storage	
	2020	2019	2020	2019
Yield	4.59 % - 10.46%	4.4% - 12.0%	4.45 % - 8.28 %	4.0% - 7.2%
Voids / letting periods	6 months - 12 months	6 months - 12 months	6 months to 12 months	6 months to 12 months
Market rents	£3 - £9.25 per sq. foot	£3 - £9.25 per sq. foot	£0.50 - £5.50 per sq. foot	£0.50 - £4.60 per sq. foot

The net carrying amount of assets held under finance leases included in plant and machinery and motor vehicles is £39,295,000 (2019: £38,095,000).

J. Murphy & Sons Limited

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

12 Tangible assets (continued)

Company	Investment properties £'000	Land and buildings £'000	Plant and machinery £'000	Computer and other equipment £'000	Assets under development £'000	Total £'000
Cost / Valuation						
At 1 January 2020	535	21,164	5,081	4,058	-	30,838
Additions	-	-	219	500	1,992	2,711
Disposals	-	-	-	-	-	-
Revaluation	40	-	-	-	-	40
Transfer	-	1,693	299	-	(1,992)	-
At 31 December 2020	575	22,857	5,599	4,558	-	33,589
Depreciation						
At 1 January 2020	-	2,748	2,336	3,152	-	8,236
Charge for the year	-	1,152	496	543	-	2,191
Disposals	-	-	-	-	-	-
At 31 December 2020	-	3,900	2,832	3,695	-	10,427
Net book value						
At 31 December 2020	575	18,957	2,767	863	-	23,162
At 31 December 2019	535	18,416	2,745	906	-	22,602

The historical cost of investment properties is £399,000 (2019: £399,000).

The 2020 valuations were 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:

	Open storage	
	2020	2019
Yield	7.20%	7.20%
Void / letting periods	None	12 months
Market rents	£3.40 per sq. foot	£3.40 per sq. foot

The Company does not own any leasehold land and buildings. The land and buildings are freehold.

The net carrying amount of assets held under finance leases included in plant and machinery is £1,758,000 (2019: £1,851,000).

J. Murphy & Sons Limited

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

13 Investments in joint ventures

Group	£'000
Share of net assets at 1 January 2020	2,796
Increase in investments in joint ventures	2,000
Decrease in investments in joint ventures*	(635)
Share of losses for the period, post-tax	(924)
Exchange difference	(3)
Share of net assets at 31 December 2020	3,234

* On 18 December 2020, the Group acquired remaining 50% of the ordinary share of Murphy Eltel JV Limited (MEJV) for £15,104. The results of MEJV will be brought into the group consolidation via equity accounting in line with the group's accounting policy for joint ventures from 1 Jan to 18 December 2020. After this period (18 December 20 – 31 December 20) MEJV will be proportionally consolidated as a full owned subsidiary. MEJV has one active project (a contract for National Grid) and during December, there was no material activity during the late part of December, so this is assumed to be nil. No intangible assets were acquired therefore no assessment was needed.

Analysis of the acquisition of Murphy Eltel JV Limited:

Consideration	£'000	£'000
Fair value of consideration paid	(0)	
Costs associated with the acquisition	(15)	
		<u>(15)</u>
 Fair value of the net assets of Murphy Eltel JV Limited at date of acquisition		
Tangible assets	416	
Cash	3,940	
Debtors	1,010	
Creditors	(4,765)	
		<u>601</u>
 Negative goodwill arising (see note 10)		<u>586</u>

At the balance sheet date, the Group had investments in the following joint ventures

	Activities	Country of incorporation	Percentage of ordinary shares held by Group
2229153 Alberta Limited	Pipeline industry support operations	Canada	50%
Murphy Asset Services Limited	Gas pipeline and electricity power line adoption and operation	England	50%
Murphy Eltel JV Limited*	High voltage overhead line projects	England	50%
Murphy GMC Partnership	Pipeline installation	Republic of Ireland	50%
Optimise (Water) LLP	Civil engineering and utilities contracting	England	36%

Furthermore during 2020, the deferred consideration of £2m was paid by SGN, partner of Murphy Asset Services Limited group ("MASL") and additional shares in MASL were subscribed for a subscription price of £2m by each partner.

J. Murphy & Sons Limited

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

13 Investments in joint ventures (continued)

Additional disclosures are given in respect of the Group's share of the joint ventures during the period of ownership, as follows:

	2229153 Alberta Limited 2020 £'000	2229153 Alberta Limited 2019 £'000	Murphy Asset Services Limited group 2020 £'000	Murphy Asset Services Limited group 2019 £'000
Turnover	839	-	40	-
Operating profit / (loss)	114	(4)	(957)	(386)
Interest payable	-	-	-	-
Profit / (loss) before taxation	114	(4)	(957)	(386)
Tax on profit / (loss)	-	-	-	-
Profit / (loss) for the period	114	(4)	(957)	(386)

	Murphy Eltel JV Limited		Murphy GMC	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Turnover	966	2,413	290	2,671
Operating profit / (loss)	(202)	387	52	(1,356)
Interest receivable / (payable)	-	7	-	-
Profit / (loss) before taxation	(202)	394	52	(1,356)
Tax on profit / (loss)	69	(52)	-	-
Profit / (loss) for the period	(133)	342	52	(1,356)

There was no Turnover or profit / loss from Optimise (Water) LLP in either the current or preceding financial year.

14 Investments

Company	Investment in subsidiaries £'000
Cost and net book value	
At 1 January 2020 and 31 December 2020	837

J. Murphy & Sons Limited

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

14 Investments (continued)

Investment in subsidiaries

The Company has the following directly wholly owned subsidiary companies:

	Percentage of ordinary shares	Country of incorporation	Activities	Registered address
J.M. Piling Co. Limited	100%	England	Construction	Hiview House, Highgate Road, London, NW5 1TN
J Murphy & Sons (Delancey Street) Limited	100%	England	Construction	Hiview House, Highgate Road, London, NW5 1TN
J Murphy & Sons (Holdings) Limited	100%	England	Holding company	Hiview House, Highgate Road, London, NW5 1TN
Land and Marine Australia Pty Limited	100%	Australia	Dormant company	15 Green Square Close, Brisbane QLD 4006
Land and Marine Engineering Limited	100%	England	Engineering	Hiview House, Highgate Road, London, NW5 1TN
McCann Drilling Limited	80%	Northern Ireland	Dormant company	26 Crossmaglen Road, Newry, BT35 9UB
Murphy Environmental Systems Limited	100%	England	Dormant company	Hiview House, Highgate Road, London, NW5 1TN
Murphy Investments (Holdings) Limited	100%	England	Holding company	Hiview House, Highgate Road, London, NW5 1TN
Murphy Pipelines Limited	100%	England	Construction	Hiview House, Highgate Road, London, NW5 1TN
Murphy Plant Limited	100%	England	Plant hiring	Hiview House, Highgate Road, London, NW5 1TN

J. Murphy & Sons Limited

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

14 Investments (continued)

	Percentage of ordinary shares	Country of incorporation	Activities	Registered address
Murphy Power Networks Limited	100%	England	Engineering	Hiview House, Highgate Road, London, NW5 1TN
Murphy Rail Projects Limited	100%	England	Dormant company	Hiview House, Highgate Road, London, NW5 1TN
Murphy Technical Services Limited (previously Pipeline Testing Services Limited)	100%	England	Engineering	Hiview House, Highgate Road, London, NW5 1TN
Pre-Mixed Concrete (Midlands) Limited	100%	England	Dormant company	Hiview House, Highgate Road, London, NW5 1TN
Rocklift Limited	90%	Scotland	Dormant company	Exchange Tower 19 Canning Street Edinburgh, EH3 8EH

The Company has the following indirectly wholly owned subsidiary companies:

	Percentage of ordinary shares	Country of incorporation	Activities	Registered address
Dalston Lane Terrace Management Limited	Limited by guarantee	England	Real estate	Hiview House, Highgate Road, London, NW5 1TN
Delancey Commercial Limited	100%	England	Real estate	Hiview House, Highgate Road, London, NW5 1TN
Delancey Residential Limited	100%	England	Real estate	Hiview House, Highgate Road, London, NW5 1TN
Earth Tech Holdings Limited	100%	Republic of Ireland	Holding company	Great Connell, Newbridge , Co Kildare
Jones Environmental Limited	100%	Republic of Ireland	Holding company	Great Connell, Newbridge , Co Kildare
Jones Environmental UK Limited	100%	Republic of Ireland	Dormant	Great Connell, Newbridge , Co Kildare
Murphy Asset Services Holdings Limited	100%	England	Holding company	Hiview House, Highgate Road, London, NW5 1TN
Murphy Eltel JV Limited	100%	England	High voltage overhead line projects	Hiview House, Highgate Road, London, NW5 1TN

J. Murphy & Sons Limited

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

14 Investments (continued)

	Percentage of ordinary shares	Country of incorporation	Activities	Registered address
Murphy Group Canada Limited	100%	Canada	Construction	400 3rd Avenue Calgary Alberta T2P 4H2
Murphy Homes Limited	100%	England	Construction	Hiview House, Highgate Road, London, NW5 1TN
Murphy International Limited	100%	Republic of Ireland	Construction	Great Connell, Newbridge , Co Kildare
Murphy Investments (Mammoth) Limited	100%	England	Real estate	Hiview House, Highgate Road, London, NW5 1TN
Murphy Investments (Morson Road) Limited	100%	England	Real estate	Hiview House, Highgate Road, London, NW5 1TN
Murphy Process Engineering Limited	100%	Republic of Ireland	Water and waste water engineers	Great Connell, Newbridge , Co Kildare
Rock Homes Limited	100%	Scotland	Dormant company	Exchange Tower 19 Canning Street Edinburgh, EH3 8EH

The directors believe that the carrying value of the investments is supported by their underlying net assets. In cases where they are not, provisions against the investments have been made.

The Company has the following indirectly owned joint ventures:

	Percentage of interest	Country of incorporation	Activities	Registered address
2229153 Alberta Limited	50%	Canada	Pipeline industry support operations	400 3rd Avenue Calgary Alberta T2P 4H2
Murphy Asset Services Limited	50%	England	Gas pipeline and electricity power line adoption and operation	Hiview House, Highgate Road, London, NW5 1TN
Murphy GMC Partnership	50%	Republic of Ireland	Pipeline installation	Great Connell, Newbridge , Co Kildare
Optimise Water (LLP)	36%	England	Civil engineering and utilities contracting	Rose Kiln Court Rose Kiln Lane Reading RG2 0BY

J. Murphy & Sons Limited

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

15 Stocks

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Raw materials and consumables	1,977	3,469	1,316	2,149
Property for resale	4,263	6,348	-	-
Property for development	1,486	1,123	1,449	1087
	7,726	10,940	2,765	3,236

There is no significant difference between the replacement cost of stock and its carrying values.

During the year £nil (2019: £1,206,000) was transferred from Property for development to Investment Property and £nil (2019: £nil) was transferred from Land and Buildings to Property for development.

16 Debtors

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Amount falling due within one year				
Trade debtors	54,623	70,518	28,429	46,730
Amounts owed by group undertakings	-	-	138,821	128,286
Amounts owed by parent company	3,758	3,042	3,551	3,039
Amounts owed by related parties	10,181	6,795	5,959	7,389
Amounts recoverable on contracts	97,339	130,123	68,907	98,063
Deferred tax asset (Note 19)	-	48	6,673	6,406
Corporation tax	-	369	-	369
Other debtors	3,096	4,992	2,389	3,603
Prepayments and accrued income	4,480	5,189	2,204	2,154
Total debtors	173,477	221,076	256,934	296,039

Trade debtors for the Group are stated after provision for impairment of £543,589 (2019: £70,000).

Included in amounts owed by related parties is £4,600,000 (2019: £5,294,000) due from Folgate Estates Limited, £468,000 (2019: £548,000) due from Murphy Eltel JV Limited, £3,189,000 (2019: £nil) due from Surerus Pipeline Inc and £1,924,000 (2019: £952,000) due from other related parties.

J. Murphy & Sons Limited

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

17 Creditors: amounts falling due within one year

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Short term loans	34,843	863	30,000	-
Trade creditors	26,250	56,171	15,739	41,803
Amounts owed to group undertakings	-	-	65,465	34,837
Finance leases (Note 18)	17,818	12,998	830	570
Corporation tax	-	458	-	-
Other taxation and social security	30,097	15,729	26,796	12,557
Other creditors	1,301	3,015	1,422	3,005
Payments received on account and amounts accrued on contracts	77,550	50,531	51,003	32,898
Accruals and deferred income	168,653	118,179	119,580	83,448
	356,512	257,944	310,835	209,118

Included in accruals and deferred income are £11,260,000 (2019: £9,335,000) of provisions for future contract losses.

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

The short term loans are a £30m drawdown from the Lloyds Bank plc credit facility and £4.9m (CAD 8.4m) drawdown from the equipment loan, being the Group's share of the balance drawn on the non-revolving equipment loan facility by Surerus Murphy, a 50% joint venture in Canada. The Lloyds Bank plc credit facility bears interest at a fixed rate plus 3 month LIBOR and it was repaid and terminated in March 2021. The equipment loan bears interest at market rates indexed to the prime lending rate or a fixed rate to be determined at drawdown. It is repayable on demand however, the principal repayments are expected to be repaid as follows: 2021: £2,027,000; 2022: £2,023,000; 2023: £810,000. See note 26.

18 Creditors: amounts falling due after more than one year

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Finance leases	19,525	19,387	869	1,034
	19,525	19,387	869	1,034

Finance leases

The future minimum finance lease payments are as follows:

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Not later than one year	18,538	13,698	857	602
Later than one year and not later than five years	20,926	20,374	917	1,091
Total gross payments	39,464	34,072	1,774	1,693
Less: finance charges	(2,121)	(1,687)	(74)	(89)
Carrying amount of liability	37,343	32,385	1,770	1,604

J. Murphy & Sons Limited

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

18 Creditors: amounts falling due after more than one year (continued)

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

19 Provision for liabilities

Group	£'000
Deferred tax (liability) / asset	
At 1 January 2020	(2,296)
Deferred tax credited in Consolidated profit and loss account	(4,612)
Adjustments in respect of previous years	(1,686)
Exchange differences	94
At 31 December 2020	(8,500)
Deferred tax asset (Note 16)	-
Deferred tax liability	(8,500)
Total net deferred tax liability	(8,500)

Group	2020 £'000	2019 £'000
Tax effect of timing differences because of:		
Fixed assets timing differences	(11,104)	(6,647)
Short term timing differences	(5,263)	(1,897)
Losses	4,110	3,780
Deferred tax excluding that relating to pension deficit	(12,257)	(4,764)
Deferred tax relating to pension deficit	3,757	2,468
Total net deferred tax liability	(8,500)	(2,296)

J. Murphy & Sons Limited

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

19 Provision for liabilities (continued)

Company	£'000
Deferred tax asset	
At 1 January 2020	6,406
Deferred tax credited in profit and loss account	1,219
Adjustments in respect of previous years	(952)
At 31 December 2020	6,673

Company	2020 £'000	2019 £'000
Tax effect of timing differences because of:		
Fixed assets timing differences	657	2,163
Short term timing differences	1,004	739
Losses	1,255	1,036
Deferred tax excluding that relating to pension deficit	2,916	3,938
Deferred tax relating to pension deficit	3,757	2,468
Total net deferred tax asset	6,673	6,406

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

20 Financial assets and liabilities

Group

The Group has the following financial assets:

	Note	2020 £'000	2019 £'000
Financial assets that are debt instruments measured at amortised cost:			
- Trade debtors	16	54,623	70,518
- Amounts owed by parent company	16	3,758	3,042
- Amounts owed by related parties	16	10,181	6,795
- Amount recoverable on contracts	16	97,339	130,123
- Other debtors	16	3,096	4,992
		168,997	215,470

J. Murphy & Sons Limited

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

20 Financial assets and liabilities (continued)

The Group has the following financial liabilities:

	Note	2020 £'000	2019 £'000
Financial liabilities measured at amortised cost:			
- Trade creditors	17	26,250	56,171
- Short term loans	17	34,843	-
- Other creditors	17	1,301	3,015
- Payments received on account and amounts accrued on contracts	17	77,550	50,531
- Accruals and deferred income	17	168,652	118,180
		308,596	227,897

Company

The Company has the following financial assets:

	Note	2020 £'000	2019 £'000
Financial assets that are debt instruments measured at amortised cost:			
- Trade debtors	16	28,429	46,730
- Amounts owed by group undertakings	16	139,906	128,286
- Amounts owed by parent company	16	3,551	3,039
- Amounts owed by related party	16	4,875	-
- Amounts recoverable on contracts	16	68,907	98,063
- Other debtors	16	2,389	3,603
		248,057	279,721

Company

The Company has the following financial liabilities:

	Note	2020 £'000	2019 £'000
Financial liabilities measured at amortised cost:			
- Trade creditors	17	15,739	41,803
- Short term loans	17	30,000	-
- Amounts owed to group undertakings	17	65,465	34,837
- Other creditors	17	1,422	3,005
- Payments received on account and amounts accrued on contracts	17	51,003	32,898
- Accruals and deferred income	17	119,581	83,448
		283,210	195,991

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

J. Murphy & Sons Limited

21 Post-employment benefits

The Group's contributions charged to the Consolidated profit and loss account in respect of post-employment benefits are analysed as follows:

	2020 £'000	2019 £'000
Defined Contribution schemes	7,514	7,766

Defined Contribution schemes

The Group operates Defined Contribution schemes in the UK, Ireland and Canada. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £ 7,514,000 (2019: £7,766,000). Contributions totalling £ 1,194,000 (2019: £591,000) were payable after the year end and are included in creditors.

Defined Benefit pension scheme

The company operates a defined benefit scheme in the UK. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. A full actuarial valuation was carried out at 31 May 2018 and updated to 31 December 2020 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

This most recent actuarial valuation showed a deficit of £16,750,000. The company has agreed with the trustees that it will aim to eliminate the deficit over a period of 5 years from 31 May 2019 by the payment of contributions in respect of the deficit of £2,000,000 payable by 31 May 2020, £2,500,000 payable by 31 May 2021, and £3,000,000 payable in each of years ending 31 May 2022, 31 May 2023 and 31 May 2024. In addition and in accordance with the actuarial valuation, the company has agreed with the trustees that it will meet the expenses of the scheme and levies to the Pension Protection Fund.

Remeasurement assumptions

For the purpose of FRS 102 (Section 28) "Employee Benefits", the assets of the scheme have been recognised at market value and liabilities have been calculated using the following principal remeasurement assumptions

	2020	2019	2018
Retail Price Index	3.00%	3.00%	3.50%
Rate of discount	1.40%	2.00%	2.80%
Allowance for pension in payment increases of RPI or 5% pa if less	2.90%	2.90%	3.50%
Allowance for revaluation rate for deferred pensions of CPI or 5% if less	1.60%	2.30%	2.60%
Allowance for commutation of pension requirement	50%	50%	50%

The mortality assumptions adopted at 31 December 2020 imply the following life expectancies.

	2020	2019
Male retiring at age 65	21.8	21.6
Female retiring at age 65	23.7	23.5
Male retiring at age 65 in 20 years	23.1	22.6
Female retiring at age 65 in 20 years	25.2	24.7

J. Murphy & Sons Limited

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

21 Post-employment benefits (continued)

Defined Benefit liability

The assets in the scheme were:

	Value at 31 December 2020 £'000	Value at 31 December 2019 £'000	Value at 31 December 2018 £'000
Cash and other assets	60	193	183
Buy-in policies	42,106	40,142	39,875
Diversified growth and Liability Driven Investments	42,567	38,092	39,754
Total market value of assets	84,733	78,427	79,812
Present value of scheme liabilities	(104,228)	(92,946)	(95,031)
Pension liability	(19,495)	(14,519)	(15,219)

Reconciliation of scheme assets and liabilities

	Assets £'000	Liabilities £'000	Total 2020 £'000	Total 2019 £'000
At 1 January	78,427	(92,946)	(14,519)	(15,219)
Expenses	-	(2)	(2)	(7)
Losses due to benefit changes	-	(83)	(83)	-
Interest income	1,550	-	1,550	2,175
Interest expenses	-	(1,821)	(1,821)	(2,577)
Remeasurement gains / (losses)	6,653	(13,273)	(6,620)	(464)
Employer contributions	2,000	-	2,000	1,500
Settlements	-	-	-	73
Benefits paid	(3,897)	3,897	-	-
At 31 December	84,733	104,228	(19,495)	(14,519)

Total expense recognised in the Consolidated profit and loss account

	2020 £'000	2019 £'000
Analysis of amounts (charged) / credited to profit and loss are as follows:		
Expenses	(2)	(7)
Losses due to benefit changes	(83)	-
Gains arising on settlements	-	73
Interest income	1,550	2,175
Interest expense	(1,821)	(2,577)
Net expense	(356)	(336)

The defined benefit cost for the fiscal year ending on the 31 December 2020 includes a past service cost due to a plan amendment of £83k. This has arisen following a High Court case on 20 November 2020 which ruled that transfers out of the Plan, between 17 May 1990 and 28 October 2018, need to be revisited and equalised for Guaranteed Minimum Pensions (GMP) between the genders. No additional allowance for GMP was deemed necessary in 2019.

The Group expects to contribute £2,500,000 to its Defined Benefit pension scheme in 2021 (2020: £2,000,000).

J. Murphy & Sons Limited

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

21 Post-employment benefits (continued)

Remeasurement loss recognised in the Consolidated Statement of Comprehensive Income

	2020	2019
	£'000	£'000
Gain on pension scheme assets	6,653	4,184
Experience losses arising on the plan benefit scheme liabilities	403	(105)
Changes in assumptions underlying present value of the plan benefit scheme liabilities	(13,676)	(4,543)
Remeasurement loss recognised in the Consolidated statement of Comprehensive Income	(6,620)	(464)

The cumulative amount of remeasurement gains and losses recognised in the Consolidated statement of comprehensive income was a loss of £46,824,000 (2019: loss of £40,204,000).

22 Called up share capital

	2020	2019
	£'000	£'000
Allotted, called up and fully paid		
300,000 (2019: 300,000) Ordinary shares of £1 each	300	300
1,950,000 (2019: 1,950,000) 1% Non-cumulative preference shares of £1 each	1,950	1,950
487,500 (2019: 487,500) 1% Non-cumulative second preference shares of 10 pence each	49	49
2,437,500 (2019: 2,437,500) 'A' Ordinary shares of 10 pence each	244	244
	2,543	2,543

The rights of the respective classes of shareholder are as follows:

	Dividends	Capital repayments	Voting rights
Ordinary shares of £1 each	1 st Pref 1%	1 st Pref 1%	1 per share
1% Non-cumulative preference shares of £1 each	2 nd Pref 1%	2 nd Pref 1%	None
1% Non-cumulative second preference shares of 10 pence each	3 rd Pref 1%	3 rd Pref 1%	None
'A' Ordinary shares of 10 pence each	Balance	Balance	None

23 Reserves

	Group Profit and loss account £'000	Company Profit and loss account £'000
At 1 January 2020	208,639	163,483
Profit / (loss) for the financial year	2,241	(24,642)
Remeasurement loss on pension scheme	(6,620)	(6,620)
Movement on deferred tax relating to remeasurement gain on pension scheme	1,601	1,601
Dividends	(2,500)	(2,500)
Currency translation difference	796	-
At 31 December 2020	204,157	131,322

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account. The loss for the year in the financial statements of the Company was £24,642,000 (2019: loss of £18,552,000).

J. Murphy & Sons Limited

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

24 Dividends

	Group		Company	
	2020	2019	2020	2019
Equity – ordinary	£'000	£'000	£'000	£'000
Dividend paid	2,500	-	2,500	-

£2,500,000 of dividends were declared and paid during the year (2019: £nil).

25 Cash generated from / (used in) operating activities

	2020	2019
	£'000	£'000
Profit for the financial year	2,241	7,885
Adjustments for:		
Tax on profit	7,261	(876)
Net interest payable	2,382	1,230
Surplus on revaluation of investment properties	128	(5,673)
Share of loss of joint venture, post tax	924	1,404
Profit on sale of subsidiary undertaking	-	(2,893)
Group operating profit	12,936	1,077
Depreciation of tangible fixed assets	17,819	14,568
Amortisation of intangible fixed assets	1,862	1,221
Amortisation of goodwill	484	477
Amortisation of negative goodwill	(113)	(106)
Profit on disposal of tangible fixed assets	(2,218)	(830)
Post-employment benefits cash contributions	(2,000)	(1,500)
Exchange differences on translation of foreign operations	100	(291)
Working capital movements:		
Decrease in stocks	3,214	1,914
Decrease / (increase) in trade debtors and other receivables	41,495	(20,454)
Increase in trade creditors and other payables	52,431	32,548
Cash generated from operating activities	126,010	28,624

Balance of cash at bank includes restricted cash of £1,750,000 (2019: £1,850,000) (see note 26) as well as restricted cash of £35,900,000 (2019 restated: £14,500,000) relating to joint operations.

J. Murphy & Sons Limited

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

26 Contingent liabilities

The Murphy Investments Holdings Limited, Murphy Investments (Mammoth) Limited and Murphy Investments (Morson Road) Limited have provided a guarantee to HSBC Bank plc who provide them, with a working capital facility of up to £50m, as described in Note 1. This facility is restricted to £30m until certain conditions are met.

A charge in favour of HSBC Bank plc in respect of the RCF exists over certain of the Group's investment properties. The carrying value of investment property subject to a charge is £103,117,000 (2019: £113,630,000).

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

Murphy Group Canada Limited has provided general security agreements and guarantees for credit facilities entered into by Surerus Murphy, a 50% joint venture in Canada. The aggregate amount available under the credit facilities is £24,570,000 (CAD42,690,000), comprising a revolving credit facility of £11,510,000 (CAD20,000,000) which was undrawn at 31 December 2020 and a non-revolving equipment loan facility of £13,060,000 (CAD22,690,000) which was partly drawn at 31 December 2020 (see Note 17).

There are contingent liabilities in respect of guarantees, agreements related to construction and other agreements entered into in the ordinary course of business for which no provision has been made in the financial statements because no material losses are anticipated.

In order to cover contingent liabilities under insurance arrangements, the Company has placed £1,750,000 (2019: £1,850,000) in separate bank accounts with the Company's bankers. In the event of the Company's insolvency the funds will be used to meet insurance claims.

There are claims arising in the normal course of trading, which are in the process of settlement and in some cases, may involve litigation. Provision has been made in these financial statements for all amounts which the directors consider will become payable on account of such claims.

The Company has issued letters of support to certain wholly owned subsidiary companies, to ensure they are able to meet their liabilities as they fall due, for a period of twelve months from the date each subsidiary approves its 31 December 2020 financial statements.

The Company is providing certain wholly owned UK subsidiaries with guarantees of their respective debts as disclosed in note 30.

The Company is aware of ongoing, external events in respect of the assessment of member benefits under defined benefit pension schemes, which may crystallise into case law that could affect the Company's scheme in future years. The Company is currently consulting with its advisers as to the applicability of these matters but at this stage is unable to make a reliable estimate of the likelihood of any potential liability which may arise.

27 Capital commitments

	2020	2019
At 31 December the Group had capital commitments as follows:	£'000	£'000
Tangible assets contracted for but not provided	523	-

J. Murphy & Sons Limited

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

28 Operating lease commitments

Operating lease agreements where the Group is a lessee

At 31 December, total minimum lease payments under non-cancellable operating leases are as follows:

	2020	2019
Group	£'000	£'000
Within one year	4,688	5,454
Between two and five years	12,217	14,561
After more than five years	5,626	9,338
	22,531	29,353

	2020	2019
Company	£'000	£'000
Within one year	2,786	2,856
Between two and five years	9,532	11,264
After more than five years	5,433	9,155
	17,751	23,275

Operating lease agreements where the Group is a lessor

The Group rents out certain properties to third parties under operating leases. The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2020	2019
Group	£'000	£'000
Within one year	5,543	5,709
Between two and five years	7,593	9,872
After more than five years	25,720	19,927
	38,856	35,508

There were no contingent rents recognised by the Group as revenue during the year (2019: £nil)

	2020	2019
Company	£'000	£'000
Within one year	1,112	928
Between two and five years	514	232
After more than five years	241	281
	1,867	1,441

There were no contingent rents recognised by the Company as revenue during the year (2019: £nil)

J. Murphy & Sons Limited

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

29 Related party transactions

Group

The Group holds participatory interests in a number of joint operations. The Group's share of the joint operation turnover in the Group financial statements is as follows:

Joint operation name	Share	2020 Turnover £'000	2019 Turnover £'000
Advance Plus	50.00%	13,365	97
Agility	50.00%	67,465	58,178
AMK	33.33%	45	172
HMJV	50.00%	24,850	-
LMJV	50.00%	157,189	79,808
Murphy Carey JV	50.00%	1,530	-
Surerus Murphy	50.00%	162,693	116,924
Total		427,137	255,179

The Group is related to the Folgate Holdings Limited Group ("Folgate") through a common ultimate parent undertaking.

The amounts owed by and to the related companies at 31 December 2020 and 31 December 2019 are shown in notes 16 and 17.

During the year, rents of £2,807,000 (2019: £1,972,000) were charged to the Group in respect of property owned by Folgate. Property development work of £2,297,000 (2019: £3,408,000) was carried out on the Folgate properties and invoiced by the Group to Folgate. Management charges of £ 636,000 (2019: £541,000) were charged to Folgate. Charges for other services provided to Folgate totalled £43,000 (2019: £43,000). In addition, the Group utilised £3,496,000 (2019: £1,668,000) of tax losses to Folgate, consideration for which remained outstanding at the balance sheet date.

During the year, the Group was charged lease rental costs of £81,000 (2019: £39,000) by Ballyfarm Limited, a related party via a director. At 31 December 2020 £nil (2019: £nil) was owed to Ballyfarm Limited by the Group.

During the year, the Group was charged annual rent of £195,000 (2019: £193,000) by two former directors, including one current member of key management, for an office complex. At 31 December 2020 £nil (2019: £nil) was owed to the former directors by the Group.

A director leased from the Company a residential unit forming part of the Company's property developments held for re-sale (included in stocks). The company received income from the director in the form of rental payments during the year of £12,000 (2019: £48,000). The director purchased the property during December 2020 for £1.3m. The unit was purchased following a market valuation and was approved by the Board during June 2020. The director was not included in these discussions or approval. At 31 December 2020, £nil (2019: £nil) was included in creditors representing amounts due to the director in respect of this residential unit.

J. Murphy & Sons Limited

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

29 Related party transactions (continued)

Key management compensation

See note 6 for disclosure of the key management compensation.

Company

The Company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group.

30 Audit exemption provided to certain UK Group subsidiaries

The Company is providing certain wholly owned UK subsidiaries (as disclosed in note 14 and which are included within these Group consolidated financial statements) with guarantees of their respective debts in the form prescribed by Section 479C of the Companies Act 2006 ('the Act') such that they can claim exemption from requiring an audit in accordance with Section 479A of the Act. These guarantees cover all of the outstanding actual and contingent liabilities of these companies at 31 December 2020:

Subsidiary	Company number
J Murphy & Sons (Delancey Street) Limited	09263875
J Murphy & Sons (Holdings) Limited	11273396
Murphy Asset Services Holdings Limited	12004514
Murphy Pipelines Limited	00861600

31 Subsequent events

In March 2021 the Group 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 replaced the credit facility of £30m that was in place with Lloyds Bank plc.

32 Controlling party

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

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

Drilton Limited is the parent undertaking of the smallest and 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.