



MURPHY

WORLD-CLASS INFRASTRUCTURE

Building on our legacy

J. Murphy & Sons Limited
BUSINESS REVIEW 2016

Highlights

Revenue (£m)



Order book (£m)



Cash balances (£m)



Profit before tax (£m)



Client satisfaction



Out of 10
(target: 8.5)

2-1-2 report



Safety incidents reported and closed out
successfully within target

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Welcome to Murphy

BUILDING ON OUR LEGACY

Infrastructure enables nations to thrive.

It moves goods, gets us to work, warms our homes and brings us water on tap. It powers economies, keeps factories turning and improves the lives of millions of people every day.

At Murphy, we've been constructing infrastructure for more than 60 years. All 4,000 of our colleagues play their part in building on that proud legacy, supporting vital sectors including rail, water, power and natural resources.

In this review, we chart our progress in 2016.

It was a year of achievement both in the UK and internationally, with every project built consistently on our values of integrity, safety and respect.

www.murphygroup.co.uk



Murphy at a glance

Murphy is an engineering and construction company that delivers world-class infrastructure to improve lives and keep economies running.

Operating in the United Kingdom, Ireland, Canada and Australia, we work in infrastructure sectors including rail, water, power and natural resources, while also running a number of related businesses.

We directly employ more than 4,000 engineers, professional managers, skilled operatives and support staff around the world. Our employees have expertise in pipelines, process engineering, design, marine engineering, tunnelling, bridges, piling and much more.



WHAT WE DO

Rail

From building new infrastructure to responding to emergencies, our range of vital services keep the UK's passengers moving. Working with the likes of Crossrail, HS2, Network Rail and Transport for London (TfL), our skills in project management, pre-construction and supply chain management help us deliver major programmes for the rail industry.

Power

Our team provides cost-effective and innovative integrated solutions that strengthen the UK's electricity network, which are vital in keeping the lights on and power flowing. From the design and build of substations to installing large cable management systems in deep tunnels, open copper grid sites and operational rail infrastructure, our expertise is integral in meeting the country's energy needs.

Water

We provide world-class water and wastewater services to our clients and their customers, focusing on water and wastewater treatment plants, reservoirs, pumping stations, tunnelling, pipelines and networks, and water mains construction and renovation. Using innovative solutions, we support clients including Irish Water, South East Water, Affinity Water and Thames Water. With a range of other related services and process engineering expertise, we are in prime position to deliver to the sector for years to come.

Natural Resources

Murphy has been working in the natural resources sector for many years, mainly in oil and gas. We have the experience and knowledge to take on maintenance and renewal of existing assets, as well as decommissioning projects. Our core capabilities see us working in oil and gas in the UK, internationally in Ireland, Canada and Australia, and on decommissioning projects in the North Sea.

International

Our Canadian joint venture, Surerus-Murphy, carries out large-diameter pipeline construction throughout Western Canada, focusing on the major oil and gas projects in Alberta and British Columbia. In Australia, MPC delivers end-to-end pipeline and construction solutions for the energy, water and mining sectors. This includes large-scale steel and high-density polyethylene (HDPE) pipelines to transport water, gas and coal seam gas (CSG).

Ground Engineering

Murphy's in-house specialist piling and ground engineering services deliver a range of large and small diameter piles through CFA and rotary techniques, as well as services including pile design and value engineering.

Murphy Plant

With a fleet value of over £100m, Murphy Plant manages and maintains a substantial holding of plant and transport equipment. It has a vast inventory of more than 22,000 assets including excavators, dumpers, cranes, compactors, piling rigs, and tunnelling and pipeline equipment.

Highways, Public Realm & Security

Murphy has long been a contractor of choice for hard landscaping, security and street infrastructure, particularly in central London. We work with multiple stakeholders and partners, in areas such as feasibility, construction and traffic management. Clients include The Crown Estate, The Regent Street Association and Lendlease.

Utility Connections

Utility connections is a unique one-stop business that connects the essential services of gas, power, water and telecommunications. This includes installing mains and utility networks for residential and commercial developments, as well as altering or disconnecting them. Our main clients include Persimmon Homes, Redrow Homes, Barratt Homes and Taylor Wimpey, as well as industrial and commercial developers such as St. Modwen.

Construction, Development & Property Services

Our team delivers new-build, development, conversion and refurbishment projects for private developers, investors, local authorities and housing associations. We also refurbish education buildings and have a growing modular construction business.

Pipeline Testing Services (PTS)

PTS provides a specialist testing service to the oil, gas, water and process industry. We carry out pipeline drying, pigging, pressure testing, chlorination, swabbing and pre-commissioning throughout the UK and Ireland.

Technical Welding Services (TWS)

TWS provides support to the natural resource and marine sectors in the UK and Ireland, providing integrity management through inspection, remediation, non-destructive testing (NDT), reinstatement, testing and certification.

Chairman's statement

A STRONG PERFORMANCE, BUILDING FOUNDATIONS FOR GREAT THINGS TO COME

A good year is always pleasing, but a good year in a period of transition and refocus is especially so.

Steve Hollingshead, our CEO, completed his first full year with us in 2016. His ambitious Ten Year Plan was launched, touching every part of the business and the period saw new appointments to our senior management team that strengthened the organisation, to help meet the demands of the plan.

All the while, our people continued to deliver Murphy's hallmark quality and reliability across a host of projects and sectors, working safely, winning business, beating targets and generating improved earnings.

Our growth agenda

At the heart of Murphy's Ten Year Plan is an ambition to grow in every respect: operationally, geographically, financially and in reputation. We are well placed to achieve it. Murphy is an independent business, wholly owned by its founding family, which fully endorse the plan and agree that we are ready to achieve more. The evidence is already clear in the Tier 1 projects we're winning, the calibre of applicants and JV partners we're attracting, and the skills and resources we offer under our self-delivery model.

The plan now calls for us to raise our game in every department. With this comes the need to gain much greater visibility and control over our business, and later in this report, we outline how we are strengthening our governance and risk management accordingly.

Our leadership team

I want to thank Paul Collins for his valued interim contribution before David Burke arrived in October to take up the role of chief financial officer. David brings extensive experience from his previous senior financial positions at Serco, Barclays, Citibank and KPMG.

We were also pleased to strengthen our leadership with a series of new appointments. The start of the year saw Russell Kellett join us as global operations director. In February, we welcomed Martin Mather as director of

procurement, and he was followed in July by Alastair Smyth as director of engineering and Chris Green as commercial director. At the close of the year, Jonathan Wright took up the role of people director.

Our people

At Murphy we are now well into our seventh decade and are proud of our self-delivery model: virtually every person on a Murphy site and, indeed, every tool and machine they may operate comes from under our roof. In a world of sub-contractors and transient labour, we select, train and develop our people and their skills. And it shows.

This not only drives higher standards but engenders a sense of membership and pride. When I talk to our clients or visit our projects, this is something that continually shines through. We are now of an age where we have many second-generation Murphy employees.

I would like to thank everyone out on our sites and in our offices for the roles they performed so well again in 2016. It was a year in which we bid successfully for some of the highest-profile projects in the UK, and continued to cement our Tier 1 credentials.

A positive climate

I also serve on boards in other industries, but believe that the public infrastructure sector is one of the most resilient. The UK Government is supportive, and has demonstrated that commitment through projects such as HS2 and the Heathrow Airport expansion. There's also a growing awareness that well-conceived, well-executed projects deliver measurable advantages to our economy, create opportunity and benefit society as a whole. The Murphy board also believes that the sector will stand firm in the face of the seismic changes heralded by the Brexit vote. Investment in infrastructure is seldom a nice-to-have - it is driven by essential needs such as good transport, clean water and secure energy supplies. In many areas, the UK still relies on infrastructure built in Victorian times. When I look at some countries I visit, it is clear Britain needs to maintain its investment if it is not to fall behind.

Challenges and goals

As we move into 2017, we will focus on developing the qualities that every leading player in this sector must have. One in particular is the ability to innovate and draw on the wealth of experience of our teams, and we reflected our commitment to innovation with a recent senior appointment to drive that agenda.

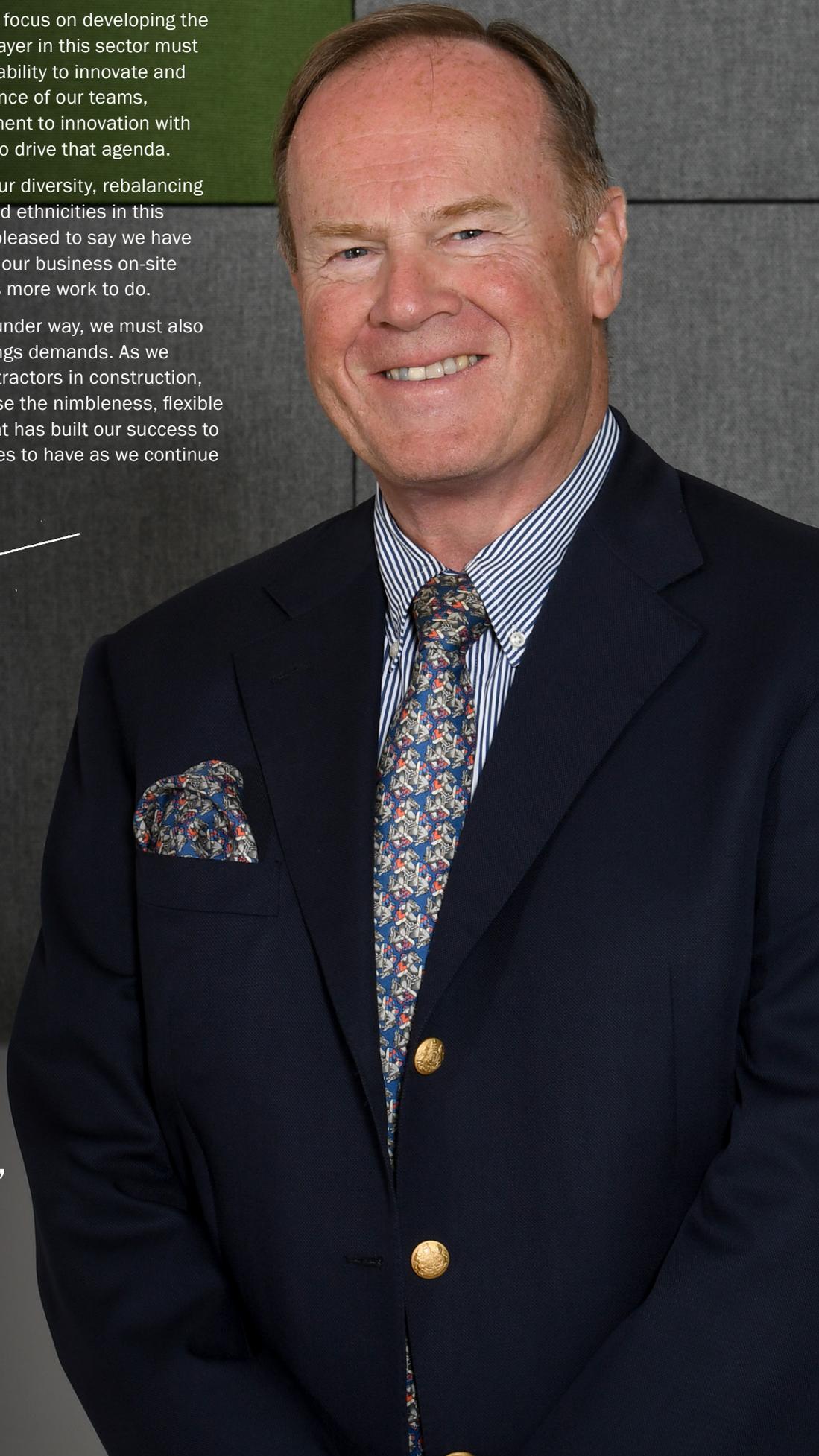
We also need to improve on our diversity, rebalancing our talents across genders and ethnicities in this traditionally male sector. I'm pleased to say we have high-achieving women across our business on-site and in our offices, but there is more work to do.

With our growth agenda well under way, we must also remember that expansion brings demands. As we become one of the major contractors in construction, the challenge will be not to lose the nimbleness, flexible structure and family ethos that has built our success to date. These are nice challenges to have as we continue to build on our legacy.



Alastair Kerr
Chairman

“A good year is always pleasing, but a good year in a period of transition and refocus is especially so.”





“If we meet unexpected challenges, we have the resources to deal with them.”

Steve Hollingshead
Chief executive officer

CEO's review

BUILDING ON OUR LEGACY FOR A BETTER MURPHY

We can look back on 2016 with considerable pride.

As well as launching our new business strategy, I'm proud that Murphy and its people continued to deliver. It was a year when we over-achieved against our financial goals - delivering nearly £614m of revenue, ending the year with a cash balance of £97m and increasing our profit before tax to £23.3m.

In parallel, and no less important, we built up our resilience as a business by strengthening our contingency. If we meet unexpected challenges we have the resources to deal with them.

It was a year of measurable achievements, together with real progress in our culture, our profile, customer perception and our ability to harness all our skills as One Murphy.

The Ten Year Plan: year one

Our Ten Year Plan is about sustainable growth and taking Murphy to the next level. But this is not simply a set of target numbers and a determination to hit them. The plan is like construction itself - making sure that every constituent part of our business is professional, rock-solid and able to support the ambitious plans we have for our development.

Change is never easy but, very quickly, it has become the new normal at Murphy. I've been delighted by the overwhelming backing and engagement the plan has generated. There is no shortage of business school theories on change, or armies of expensive consultants keen to direct us, but I'm a firm believer that change is most effective when it comes from within.

This is already happening right across the business, and one of the first wins has been to make us work better as a single entity, regardless of individual disciplines or territories. We're reflecting this by using a balanced scorecard across the company, which incentivises us to perform not just financially, but across every key metric including health & safety, client satisfaction, staff retention and overall productivity.

The plan is highly unusual in our industry. It shows confidence in our business to launch one, and I can already see that decision has been vindicated. Indeed, we're proud to share it with our stakeholders, clients and competitors as we work our way to becoming a major force in world infrastructure.

Health, safety and the environment

Our values are at the core of our new strategy, not least our commitment to safety. No commercial or practical consideration is ever allowed to override the principle that everyone has a right to a safe place of work. Whether planning a project, using tools safely or wearing the right PPE for a given situation, everything starts with our Never Harm philosophy.

We had 36 incidents during 2016 that resulted in time away from work. Although our safety culture is embedded in our daily activities, this number is unacceptable and we are striving to tackle this.

As well as more safety communications and increasing site safety inspections, capturing the challenges is absolutely vital. The thoroughness and speed of our new '2-1-2' safety reporting system has shown that we still have work to do. We are now capturing more information quicker than before, and acting on incidents faster than ever. It has revealed more small incidents than we had appreciated, as well as 'near-misses'; these give us vital learning on hazards that might be waiting.

We are also more advanced than many competitors in the field of occupational health. We have invested in a dedicated centre, where we conduct studies into potential health hazards. Just one example is 'vibration white finger', caused by certain machines and power tools, and we now equip every user with a special vibration watch to alert them to safe limits; an innovation from our Plant business.

Our Never Harm ethos also extends to communities and their environments. During the year we made excellent progress on the £250m, environmentally sensitive Deephams Sewage Treatment Works Upgrade Project for Thames Water. We also worked in city centres alongside iconic buildings such as the Houses of Parliament in London, and in remote locations with nuclear projects and wind farms, some of which are in Areas of Outstanding Natural Beauty (AONB). In every case, it's our job to tread as lightly and unobtrusively as possible, and we do.

THE YEAR'S HIGHLIGHTS

Externally and internally, we achieved so much to move Murphy forward. It's a challenge to list them all but a few highlights jump out for me.

Working together

We made great strides forward in coming together as 'One Murphy'. This was particularly evident in two parts of our business. Murphy Plant came together as a standalone business and is now offering an improved asset hire service to the Murphy group. Our ground engineering and piling teams from across the UK and Ireland have also joined together, now offering a service to customers in a more coordinated way than ever before.

York Potash

As part of the overall £2.4bn mine project, Murphy was selected as preferred bidder for the tunnel element, in a joint venture with Hochtief.

Building our team

Recruitment is a useful barometer of how our business is perceived and it speaks volumes that we attracted so much high-calibre talent in 2016. People want to develop their careers with us, not only because of the projects we're winning but also our long-term purpose and ambition, which is expressed in the Ten Year Plan.

HS2 enabling works and civils

We were delighted to secure the enabling works package for Phase 1 the north through LM, our joint venture with Laing O'Rourke. The contract will be worth around £180m to Murphy. The year also saw us construct the biggest bids in Murphy's history, for three HS2 main works civil contracts. Working again in a JV with Laing O'Rourke and FCC, these bids were the catalyst for a major coming-together of talent, experience and resources. I'm immensely proud of Murphy's contribution to the JV, called LFM, as we pursue this valuable and high-profile prize.

Working conditions

By working closely with our people, we made important strides during the year to standardise issues such as working conditions, skills measurement and upskilling. We also advanced plans to make sure that everyone who works with us has a clear career path.

Canada

We had an excellent first full debut year from our team in the Surerus-Murphy JV as it worked to become a partner of choice for the key owner companies in the oil and gas market. In a short space of time, it has built a workbook worth \$400m and has created a sustainable business. This has been a great example of Murphy exporting a world-class capability and gaining impressive and rapid results.

2017: showing our strengths

We headed into 2017 with real confidence, for a wide range of reasons:

- **There's a good climate for infrastructure:** The current need to invest is well understood by the UK Government and our initial success in HS2 and other high-profile bids position us well for future business.
- **A solid order book:** We targeted achieving secured work valued at 70% of revenue going into 2017, and actually achieved nearly 80%.
- **A broad base:** We are strong in the UK and internationally, with one able to help offset the other in the event of contract delays. For example, Ireland was one of the fastest-growing construction markets in 2016 and we are well placed to benefit there.
- **A better bid-win ratio:** We're improving the targeting and execution of our bids, and are building our bench strength in the functions that support them - from commercial, engineering and planning, to project control and procurement.
- **A Tier 1 player and natural partner:** Murphy is one of the UK's leading construction companies and we are also in demand as a joint venture project partner. We have a proven track record, an excellent health and safety culture, and a robust balance sheet.
- **A self-delivery model:** Clients recognise the skill levels, commitment, cohesion and spirit that come from a contractor with its own employees, plant and resources.

I would like to place on record my thanks to our clients, both those who continue to compliment us with repeat business year after year, and those whose new relationships we have made during 2016. Thanks also go to our supply-chain partners, for their collaboration across the year. Additionally, the company's shareholders are unwavering in their support for our way forward and I thank them for their backing. I also want to thank all my colleagues at Murphy. Their loyalty and hard work, to deliver projects of the highest quality in all conditions and climates, is an inspiration.

As we move into the next few years of our Ten Year Plan, we are looking forward to showing even more of what we can do for the UK, Ireland and beyond. As we build on our legacy, we will broaden our engagement across a greater range of the asset life cycle, while continuing to deliver the economic, social and environmental benefits that world-class infrastructure can bring.



Steve Hollingshead
Chief executive officer

“Our Canadian
JV has been
a great example
of Murphy exporting
a world-class capability
and gaining impressive
and rapid results.”



Canada: Surerus-Murphy project pipeline

Our Ten Year Plan

Murphy's proud history of delivering major infrastructure projects in the UK, Ireland and internationally, reinforces our reputation for excellence among our clients today. We are rightly recognised for the safety, quality and reliability of our services.

This is the start of a ten-year journey to establish Murphy as a world-renowned infrastructure company, building on our current strengths, capitalising on our opportunities and maintaining our independence.

OUR BUSINESS MODEL

INVESTING IN OUR PEOPLE

An ongoing commitment to develop and reward our people

EMBEDDED SAFETY CULTURE

Our Never Harm approach is central to everything we do

OPPORTUNITIES AND WINNING WORK

Identifying longer-term opportunities with a more selective bid approach

EXCELLENT MOBILISATION AND PROJECT DELIVERY

Better planning and deliver projects for customers right first time

OUR ROLE IN SOCIETY

Respecting the communities and environments where we work

INTEGRATED SELF-DELIVERY

Multiple capabilities and expansive in-house expertise

BEST IN CLASS FUNCTIONAL SUPPORT

Continually developing our functional teams to support our projects

WIDER ASSET OWNERSHIP

Broadening our investment to all stages of the asset life cycle

OUR VALUES



ONE FAMILY – ONE TEAM – ONE MURPHY

Collaborative working gives our clients a seamless, integrated service



ALWAYS DELIVER

A 'can do' attitude delivers high quality projects on time and on budget



NEVER HARM

We look after people, their communities and the planet - no matter what



CONSTANTLY IMPROVE

Innovation is integral to our success



INTEGRITY AND RESPECT FOR ALL

Transparent, honest and professional - we act with integrity, embrace diversity and our stakeholders trust us

OUR TEN YEAR PLAN

Operating in our chosen international markets



Broad delivery across infrastructure sectors

Deliver safely, reliably and sustainably with respect for the environment



Invest in sustainable long-term careers for our people

Work as One Murphy



Direct delivery of works to strengthen relationships with our clients

Reinforce our values to our people as an integrated, open and collaborative business



Increase our investment activities



Improve our profitability across a portfolio of products to at least 5% net PBT growing to

10% BY 2025

Generate sustainable revenue of

£2bn



OUR STRATEGIC VISION

TO IMPROVE LIFE BY DELIVERING WORLD-CLASS INFRASTRUCTURE

Our strategic objective is to become an established Tier 1 provider in our four core market sectors of Power, Rail, Water and Natural Resources, while retaining our specialist Tier 2 capabilities.



Power



Plant



Rail



Ground Engineering



Water



Highways, Public Realm & Security



Natural Resources



Construction, Development & Property Services



International



Utility Connections



Rail

AN EXCELLENT YEAR OF KEEPING PROMISES AND MEETING CHALLENGES

The UK is one of the most rail-dependent economies in the world.

In 2015-16, around 1.7bn journeys were made by passengers in the UK, covering more than 64.7bn passenger-kilometres along the country's 15,799km of track. In Europe, only Germany shows more passenger demand.

Against this backdrop, 2016 was an excellent year in rail for Murphy. We generated revenues derived from our ever-increasing contribution to the sector by building new infrastructure, maintaining and upgrading existing assets and enhancing our position as Network Rail's go-to contractor for emergency response. Our most notable schemes delivered in 2016 included:

Twemlow Viaduct

This £7m West Coast Main Line project in Holmes Chapel, Cheshire, required a full refurbishment of a viaduct built in 1841. The railway track was removed and pre-cast concrete units were laid, along with waterproofing and a new drainage system, which will protect the brickwork for another 125 years. The line was blockaded for the works, and was delivered back on time and on budget within the non-negotiable timeframe of 11 days. Up to eight pre-cast concrete slabs were laid per hour and 68,000 bricks were replaced over the course of the refurbishment.

Reddish Vale Viaduct

On the Hope Valley line between Sheffield and Manchester, this £2.5m project was the refurbishment of a 90ft. high, 16-span, Grade II listed viaduct, built in 1875.

The 400-strong Murphy team worked 24/7 to contain the closure of the line to just nine days. In that time, new structural concrete units, a new waterproofing system and new drainage were installed, and more than 3,000 tonnes of railway ballast were removed.

Gospel Oak to Barking Electrification Scheme

A challenging project spread over 14 miles within the Greater London area, this was one of our largest projects in 2016. Murphy delivered civils, rail systems, piling and station works.

In order to overcome the physical challenges presented by the dense urban environment, we employed innovative techniques including slab track to mitigate the need for major bridge reconstructions and subsequent road closures.

CP5 frameworks

During the year, the CP5 programme was successful for the company. Murphy continues to be Network Rail's highest KPI performer in the central region and is well-positioned to secure work under CP6 which, in total, represents investment in the region of £5bn-£6bn.

Emergency response

We also continue to support our clients with our emergency response services, mobilising to repair infrastructure such as weather-related landslips and bridge damage. Last year we were called out to 54 emergencies, and we are proud to be trusted with these time-critical assignments that demand calm analysis, fast decision-making and a can-do mentality. Just one example was an embankment at Middlewood, Cheshire, that had slipped from under the track in torrential rain. Murphy was on site in 90 minutes and worked 24/7 to rebuild the embankment using 5,000 tonnes of materials. The track re-opened in 15 days, nine hours ahead of schedule.

£7m

Twemlow Viaduct refurbishment



68,000

bricks replaced for the Twemlow Viaduct

Reddish Vale Viaduct refurbishment



£2.5m

400

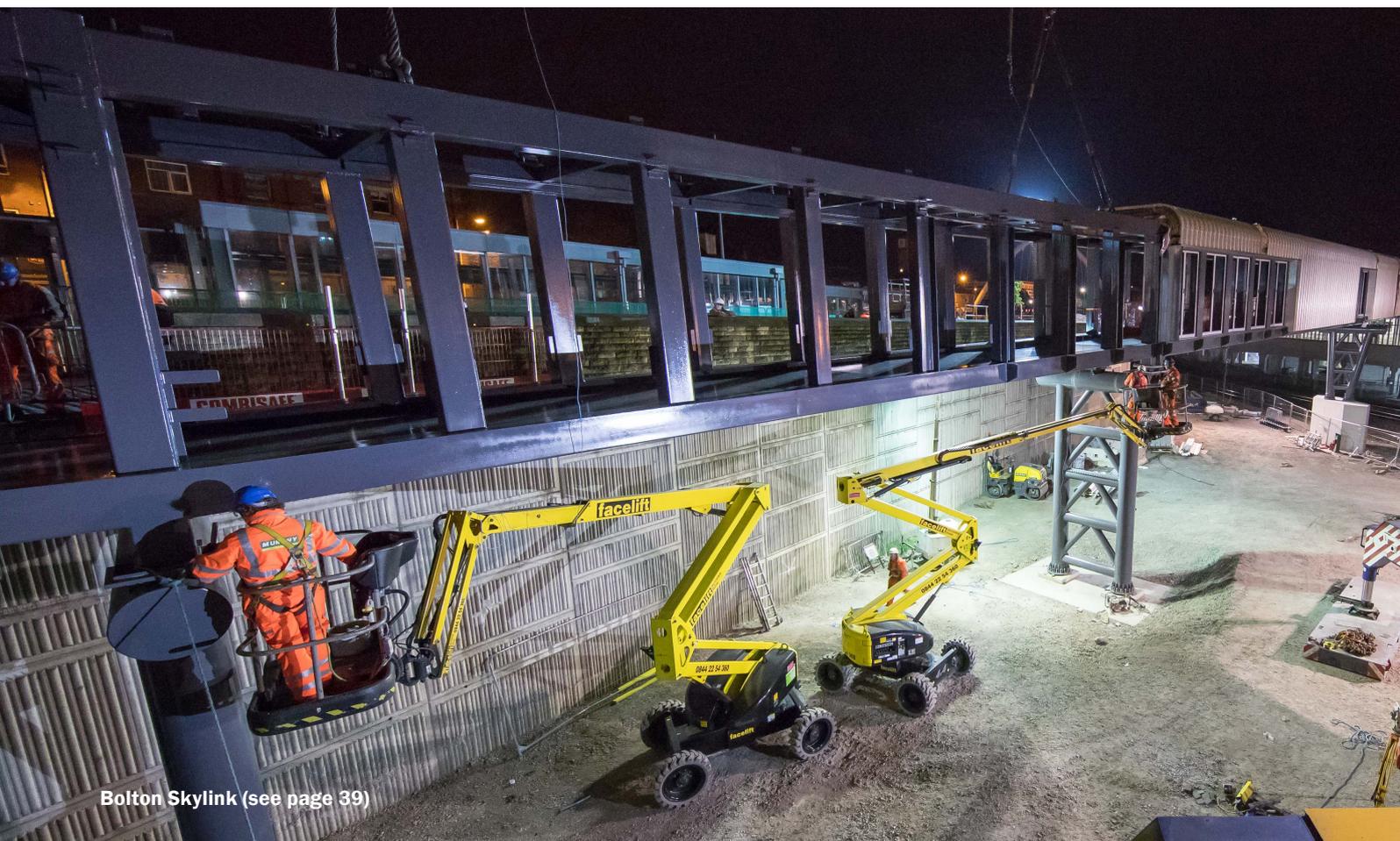
Murphy staff worked on Reddish Vale Viaduct



G Gospel Oak to Barking works value **£67m+** **B**



Inset Image: Reddish Vale Viaduct
Right: Twemlow Viaduct



Bolton Skylink (see page 39)

HS2 and other bids

In October 2016, LM, our joint venture with Laing O'Rourke, received the excellent news that it had been successful in securing phase 1 of HS2's enabling works package for the north, worth around £370m. Working from a dedicated bid centre in Birmingham, Murphy's input comprised a core team of around 30 people.

Our JV also pre-qualified to tender for the main HS2 packages and this prize, naturally, received significant focus from across the company during 2016. The awards are expected to be made in the summer of 2017.

Other bids included the £750m East of Leeds Project, together with our JV partners Volker Rail and Siemens. The main construction works will lead to improvements in capacity and journey times as part of the Transpennine Route upgrade, scheduled to run from 2018-2022.

In a separate project, we joined forces with the same REAL alliance partners to bid for the East Coast (Bawtry to York) power supply upgrade, phase 2.

Raising our game

It is a mark of our growing standing in the sector that we are now regularly approached by consortia bidding for major projects.

We have a demonstrable record of successful and safe delivery. We continue to be called on for emergency works because of our quick mobilisation and state-of-the-art plant. In 2016, we bought four leading-edge rail road vehicles (RRVs) and new piling equipment, and continued to upgrade our plant and explore new technologies.

Our aim in the rail sector is to secure profitable work as a Tier 1 partner, occasionally working as a Tier 2, where we offer specialist capabilities. A key enabler of this is our One Murphy approach, coordinating skills, experience and resources from across the business to benefit our clients and their customers.

There are many opportunities in this sector, including HS2, Crossrail 2, the Bakerloo underground extension, the Western Rail Access to Heathrow (WRATH) and the Transpennine Route upgrade. We draw on 40 years' experience of delivering world-class infrastructure in rail and look forward to many more to come.



Gospel Oak to Barking

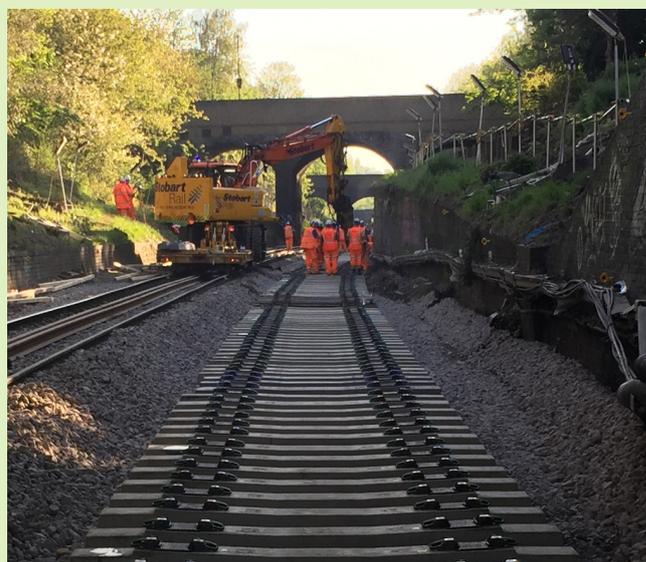
PROJECT PROFILE

Gospel Oak to Barking Electrification Scheme

Network Rail is working on a £133m project to electrify the Gospel Oak to Barking rail route on behalf of TfL. From 2018, new four-car electric trains will provide double the current capacity, carrying twice as many people to meet growing demand and ease congestion. Murphy was awarded the £67m+ contract to deliver principal enabling works to a 14-mile stretch of the London Overground rail network, including:

- Foundation works for around 740 electrification masts, platform extensions, reinforcement of embankments and parapet extension works
- Lowering switches, crossings and plain track to provide clearance for overhead power lines
- Installing slab track, modifying signals for 25kV AC electrification and telecommunication assets, refurbishing existing bridge parapets and bridge replacements

- 480 piled foundations, 1,420 metres of slab track and 4,000 tonnes of concrete while delivering over 90% of materials to site by rail.





Power

MURPHY'S ROLE IN SECURING THE COUNTRY'S POWER

Access to energy is one of the country's highest priorities but merely having power isn't enough. Resilient energy networks are essential and provide the vital arteries that carry power around the country to businesses and communities.

The existing networks have served us well but they are ageing. As well as a need to rebuild our power lines and substations, there is a need to expand our network to connect new, low-carbon energy generation sources. These include offshore wind, tidal lagoon, hydro-electric, interconnectors, new nuclear and energy storage solutions.

For over 60 years, Murphy has been supporting the UK's transmission and distribution network operators, providing world-class, innovative solutions across a range of voltages up to, and including, 400kV. With our directly-employed team of experienced engineers and an exhaustive fleet of owned and operated plant, Murphy can design, install and commission systems of varying complexity and proportion, and understand the specific requirements of our clients' networks.

Our business model, where we work as both a Tier 1 and Tier 2 contractor, means we have an effective and flexible approach. As a Tier 1 contractor we work in all fields of power and energy - renewable, generation, transmission and distribution. Our team also works closely with rail companies across the UK.

A strong year

Notable successes included Scottish and Southern Energy Power Distribution's Ealing to Bridge Road project, where Murphy installed multiple 66kV circuits as part of a major network reinforcement programme. The team overcame numerous engineering challenges including the Brent Canal, an operational rail line and four 600m horizontal directional drill (HDD) crossings of the M4.

The project was completed with no safety incidents, on time and, importantly for our client, below the regulated spend.

Murphy installed two 600kV direct current (DC) underground cables running for 30km across the Wirral Peninsula, as part of the high-voltage Western Link Project including alongside the A540, which required bespoke traffic management. The works included a direct lay method and multiple HDD crossings.

Murphy also installed the 3km 600kV DC section at Hunterston, along with the associated 400kV AC works at the Hunterston convertor station.

In London, we closed 2016 having completed most of the Sub Surface Railway Package 10 project for our long-standing client, London Underground. The works, at the Crossrail connection point at Royal Oak, involved the design, supply and installation of two 22kV feeders from Griffith House through the infrastructure of the Hammersmith & City line. Again, the work was carried out safely and within budget.

For another London Underground project (installing signalling equipment rooms on the Jubilee Line), Murphy received London Underground's prestigious Beacon Award. This recognised our excellent performance against safety regulations and consideration of the environment and the public affected by our works.

New business

Murphy continues to invest significant time and resources in gathering market intelligence, monitoring clients' investment intentions and forming excellent relationships with supply chain partners. An example is our partnership with Siemens, working on substations across the UK for National Grid.



Directional drill
under the M4

600m

350,000m

cable for
Hornsea project



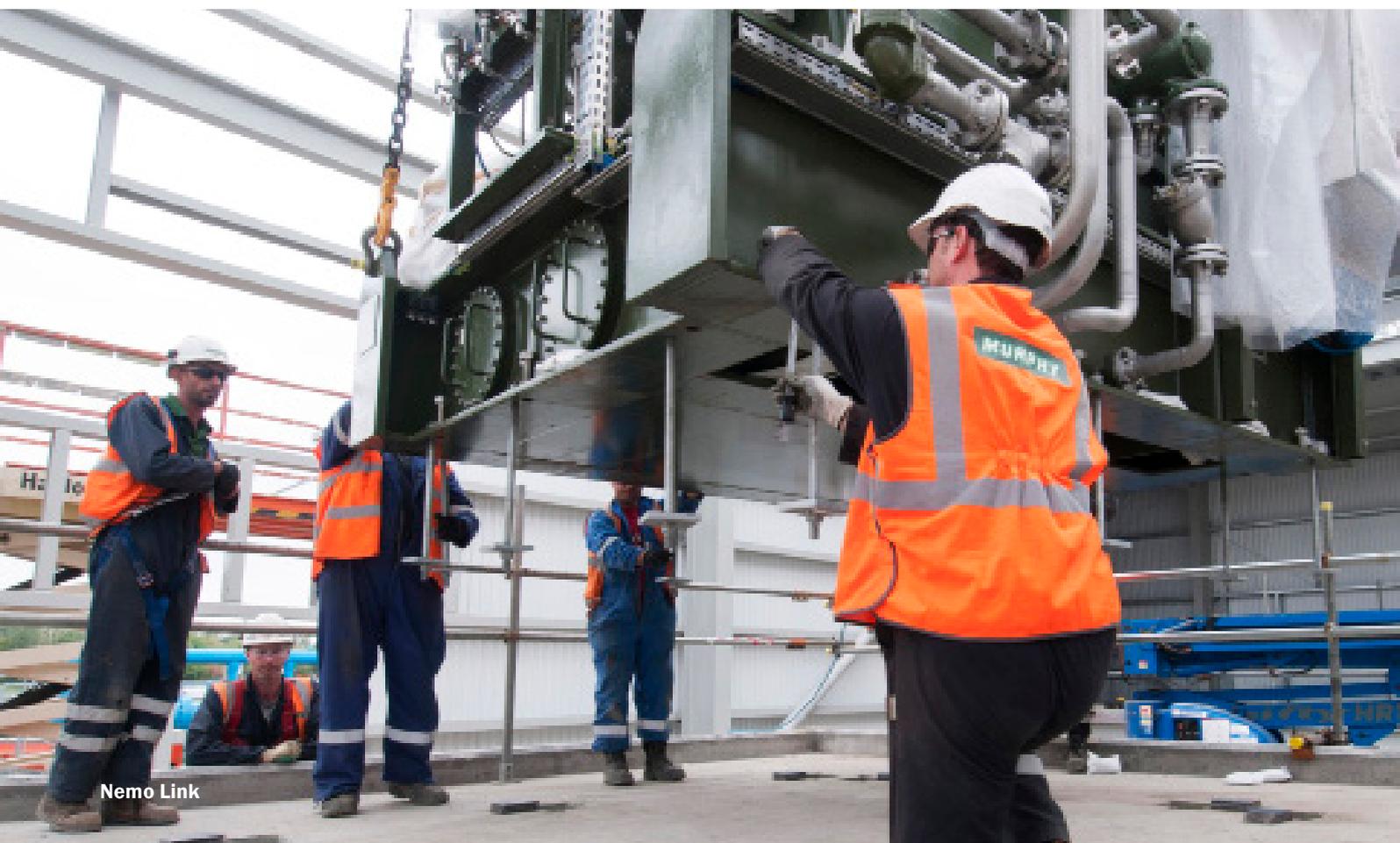
Connecting the
world's largest
offshore
wind farm

Awarded London
Underground's
Beacon Award



Inset image: Race Bank substation

Right: London Power Tunnels
cable installation



Nemo Link

As the UK continues to invest in new power generation from a variety of sources, Murphy secured two major wind farm projects during 2016. This builds on our increasing standing in this sector, having already delivered successful work for both Dong Energy and Vattenfall. We followed this with three exciting wins in 2016:

Nemo Link

In October 2016, Murphy was awarded the contract to develop the converter station and compound buildings for a new international power connection. Working in partnership with Siemens, Murphy was given the green light to work on Nemo Link - a joint venture between National Grid and Elia, which will create a new power connection between the UK and Belgium. The high-voltage subsea cable will be connected to the national power network at Richborough in Kent, where Murphy is building nine buildings and installing related works at the eight-hectare site. The new interconnector will be able to flow in both directions and will have an approximate capacity of 1,000 megawatts (MW) to transfer power between the UK and Belgium. Murphy expects to complete its work in 2017, with Nemo Link scheduled for commercial operation by 2018.

Hornsea Project One

Located just off the Yorkshire coast, this ambitious venture by DONG Energy is set to become the world's largest offshore wind farm. It will also be the first to exceed one gigawatt capacity, providing sufficient electricity to serve the needs of 1m homes with renewable energy. Murphy is laying 350,000 metres of 220kV and 400kV cable along a 38km route. Installed entirely underground, the route will cross farmland, roads, rail, canals and rivers. Horizontal directional drilling (HDD) will minimise disruption and leave no visual impact following the work. We are scheduled to complete the project in November 2018.

2017 outlook

As the UK confronts the challenges presented by energy security, storage and increased diversity of power sources - as well as addressing the need to update the networks - the demand for power infrastructure remains strong.

Murphy is well-positioned to play an increasing role in this development. The team enters 2017 with 80% of its targeted order book already full, with commitments being made for 2018 and beyond.



PROJECT PROFILE

Vattenfall's Aberdeen Offshore Wind Farm

As offshore wind technology continues to develop, Murphy secured a contract for an onshore substation and associated cabling to connect Scotland's largest offshore wind test and demonstration facility.

The Vattenfall Aberdeen Offshore Wind Farm – also known as the European Offshore Wind Deployment Centre (EOWDC) – will be powered by 11 turbines with an installed capacity of up to 92.4MW.

Adam Ezzamel, project director for the EOWDC at Vattenfall, said: "We selected Murphy to work on this project as the company has both experience and proven abilities."

"Murphy's track record of delivering large-scale power projects, combined with strong communication and client liaison skills, helps assure us that the EOWDC project will run according to the schedule."

This project in Aberdeen Bay, worth over £300m, will produce enough electricity every year to meet the equivalent annual demand of 78,529 homes.

Murphy will provide preconstruction design, onshore cabling and the construction of a substation, as well as connecting the wind farm to the electricity network so that it can begin operating from 2018.





Water

STRENGTHENING OUR EXISTING BUSINESS AND WIDENING OUR CLIENT BASE

The water sector is fluid in every sense: in recent years, water companies have been subject to a stream of increased demands from regulators concerning greater efficiency, improved drinking water quality and cleaner wastewater. In addition, customers' own expectations have never been higher and competition within the industry continues to be intense.

Indeed, change is the new normal. Since April 2017, non-household customers that use fewer than 5m litres a year have been free to choose their own water and wastewater providers, and residential customers may enjoy a similar freedom as early as 2020.

Against this backdrop, water is a sector that presents many opportunities for Murphy as the industry delivers its asset management period (AMP) 6 programme, and gears up for AMP7 over the next three years (2020).

Murphy draws on more than 50 years' experience in serving the water sector, both in maintaining and building infrastructure, and devising solutions to support new water technologies and ever-higher standards.

In 2016, we delivered another good performance. It was a year of meeting complex technical project challenges, gaining new business from significant new clients and cementing our reputation as a respected and reliable partner.

We remain a key partner in the Thames Water Infrastructure Alliance and continue to support Bristol Water as part of its AMP6 programme. In Ireland, our €90m contract with Irish Water to install 280,000 domestic water meters entered the home straight.

New business: major new clients

We continuously look to increase our pipeline of high-quality customers and projects to provide sustainable opportunities for years ahead. We were therefore delighted to secure three prestigious new clients during 2016 who will expand our role and scope of services. Together, they represent potential revenues in the region of £22m during 2017.

Sutton and East Surrey Water

Murphy secured a contract to design and build four strategic pipelines in a contract worth £10m. As a new network contracting partner, the projects alone are exciting, but there is also real potential for this relationship to grow with the next AMP investment period.

Affinity Water

We were awarded a place on a five-year framework agreement, which covers minor civils work at treatment plants in Hertfordshire and London. The framework forms part of Affinity Water's AMP6 business plan and Murphy will work collaboratively alongside other companies working on mechanical and electrical frameworks. It is anticipated that Murphy will deliver a programme of works, ranging between £25,000 and £250,000.

Gatwick Airport

This project required two new airside pipelines and a pumping station, and the construction of a motorised computer control room. We will be working alongside our Power division, which has secured the mechanical and engineering framework.

£250m

Deephams
project value



Sutton and
East Surrey Water
contract worth
£10m



Working with
Affinity Water
on minor
civils contract

New airside
pipelines and
pumping station at
Gatwick airport



0.05



Health & safety
accident and
lost-time
frequency rates



Inset image: Moving the integrated fixed-film activated sludge cages (IFAS) into position, Deephams

Right: Deephams aerial shot



Murphy staff at Gatwick Airport

Strategic change

2016 also saw us position ourselves for growth, as we laid the groundwork to welcome AECOM's Design Build Ireland (ADBI) into the Murphy family, significantly increasing our existing water capabilities.

As we move into AMP7 and beyond, being in a position to offer a full design, build, finance, operate and maintain (DBFOM) capability will support our clients' strategies for 'direct procurement for customers', which is being encouraged by Ofwat as part of the 2019 price review (PR19).

Health and safety

Setting the seal on an excellent year was an outstanding performance in health and safety, with accident and lost-time incident frequency rates of 0.05. However, we are never complacent, and in 2017 we will build on our core value of Never Harm with additional local improvement initiatives.



PROJECT PROFILE

Deephams: teamwork and technology

Operationally, the highlight of the year was the successful progress of Thames Water's Deephams Sewage Treatment Works (STW) Upgrade Project.

This £250m project is being delivered by AMK, the joint venture between AECOM, Murphy and Kier. Murphy's role in the JV has been pivotal, supplying nearly all the people and plant, and in-house civils, electrical, building and piling works, together with the key engineering and management resource to deliver the project.

Central to the Deephams project are innovative technologies designed to achieve stringent consent parameters. Speed of installation has also been critical in meeting the water regulator's strict deadlines.

The project continues to be an object lesson in collaboration: the teamwork with Thames Water, in addressing complex technical issues and the need to work around their existing live plant, has been exceptional. The project continues into 2017 with expected completion in autumn 2018.





Natural Resources

SUPPORTING THE INFRASTRUCTURE SECTOR FOR OIL, GAS, ENERGY AND MARINE

Murphy has vast experience in managing infrastructure assets for the natural resources sector, whether in constructing, maintaining or, more recently, decommissioning.

Given the recent global economy and the downward pressure on capital investment in new projects, it was primarily maintenance and renewal projects that were the focus for our delivery teams in 2016.

There are six target markets in the natural resources sector: regulated gas, non-regulated oil and gas, international oil and gas, marine infrastructure, decommissioning and nuclear.

In 2016, Murphy secured a number of excellent projects in terms of size, complexity and profile.

National Grid Gas Asset Health Framework

Murphy has secured a position on the National Grid Asset Health Framework to assist in delivering an eight-year programme of investment and play a vital role in maintaining the safety of the network assets.

In addition to delivering the regulatory and programme outputs and commitments, our main responsibility is to offer solutions to maintain the assets in the most efficient, safe, reliable and environmentally-friendly way.

In order to determine the risk of these assets, we carry out a detailed comprehensive survey and assess the condition and criticality posed by their operations. We use the findings to holistically prioritise the investment by maintaining, upgrading or decommissioning the assets.

Wylfa Nuclear Power Station outfall project

The Wylfa Nuclear Power Station closed in 2015, marking the end of Magnox-generated electricity in the UK.

Working alongside partners, Murphy won the contract to fabricate and install an effluent discharge line. This 320m-long subsea outfall provides the power station with an outflow pipeline into the Irish Sea at Cemaes bay.

The project required exceptional engineering and logistics, including fabricating the pipe-in-pipe bundle off site at Holyhead, welding the 12m pipe-lengths on site using an automatic butt fusion technique. The team also carried out horizontal directional drilling operations to the sea-bed, supported by a specialist marine service, including marine divers.

As well as managing the project's technical complexity, the team needed to comply with all nuclear and security regulations, and work closely with the many site stakeholder groups in this AONB.

2017: signs of optimism

Our experience in oil and gas stretches back decades; long enough to know that second-guessing the energy sector's fortunes can be precarious.

However, we can say that we are seeing a returning positivity among the major players. New projects are being tabled once again, with an exciting roadmap of bids ahead of us. We also see renewed opportunities in both the UK and international oil and gas infrastructure sectors.

During the coming year, we will also focus on developing our marine infrastructure capabilities to meet the nearshore, ports and harbours opportunities as well as our continued focus on our core capabilities.



6 target markets

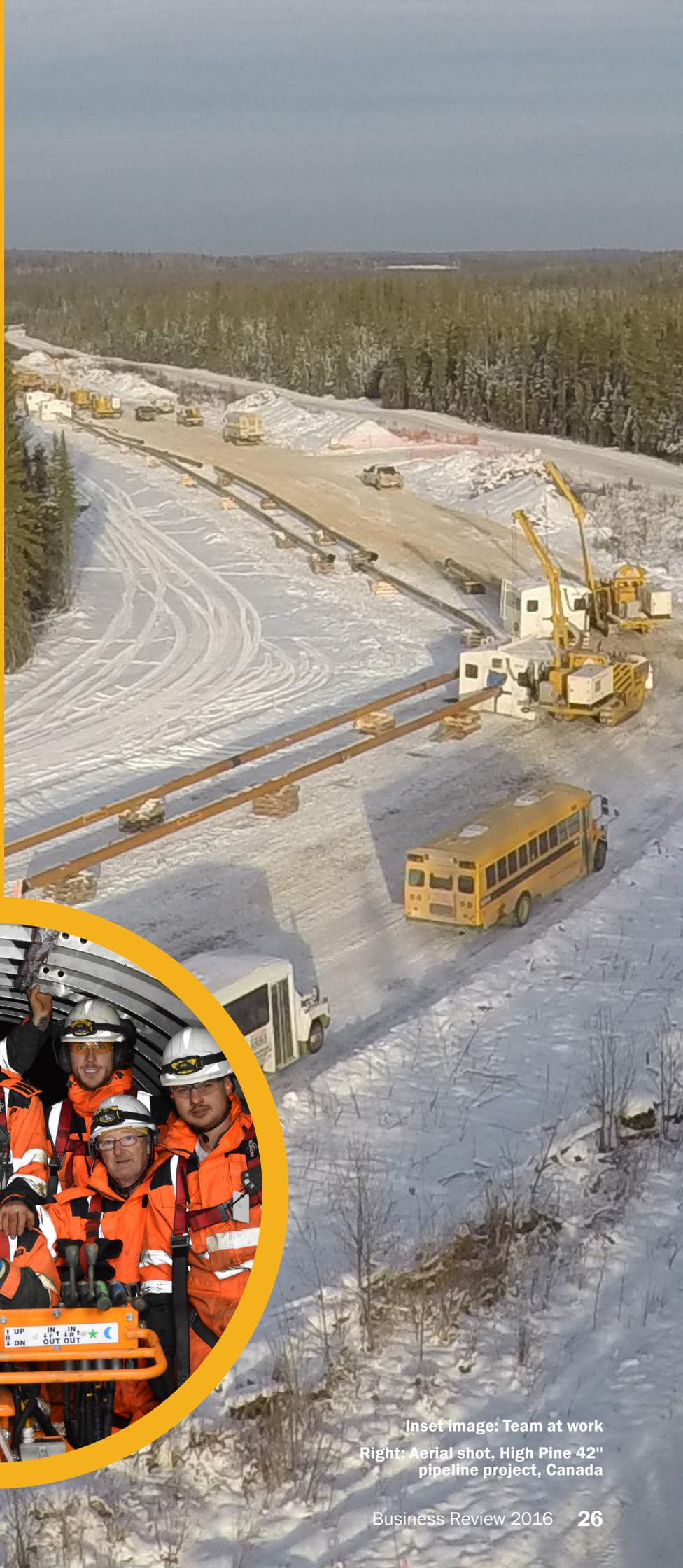
8-year

programme to maintain and improve National Grid's gas infrastructure

320m-long subsea outflow pipe at Wylfa Nuclear Power Station



Only company in the world to have two **800t** winches



Inset image: Team at work
Right: Aerial shot, High Pine 42" pipeline project, Canada

Innovative 800-tonne winches



High Pine 42" pipeline project, Canada





PROJECT PROFILE

Completion of innovative 800-tonne winches

Murphy is the only company in the world to own and operate two winches capable of pulling 800 tonnes for installation of landfalls and river crossings.

We understand the challenges involved when installing landfalls. These innovative winches were developed, designed and built in-house by our experienced team of specialists, who have the technical know-how to meet our clients' demands.

The winches include a number of safety and socket-passing features with state-of-the-art technology.

This machinery gives Murphy the ability to meet client needs to install longer and heavier lengths of subsea pipelines.





Plant

GIVING OUR PROJECTS THE BEST PLANT, TRANSPORT AND EQUIPMENT

Murphy Plant manages and maintains a substantial holding of plant, transport and equipment, with a value of more than £100m.

We have a vast fleet in excess of 22,000 assets, from standard plant equipment such as excavators, dumpers and telehandlers to one of the largest and newest crawler crane fleets in the UK. We also have other specialist plant for rail, piling, pipelines, tunnelling and marine. Together with a fleet of thousands of HIABs, vans and cars, Murphy Plant offers a fully self-contained and comprehensive service to all areas of the Murphy group.

Murphy Plant charges market rates to the group and generated revenue of £52.9m in 2016. It met the needs of 34,331 individual hires, supplying world-class, reliable machinery to 1,146 locations.

This included plant for the Deephams and Agility projects for Thames Water, Crossrail, CP5 and Farnworth Tunnel for Network Rail, the Wirral Cable Western Link for Prysmian, and the Cable Faults Framework for Northern Power Grid.



£52.9m

REVENUE
2016



£100m

EQUIPMENT
VALUE

Creating a new standalone company

During the year, the former plant and transport division became a separate legal entity named Murphy Plant Ltd. This recognised not only its scale but also the major pipeline of projects in 2017, and beyond, that it will need to equip and support.

This led to a wholesale reorganisation with a sharp new focus on investment, logistics, quality and reliability.

In particular, planning began on an £18m capital programme for 2017, focused on renewing and standardising the inventory, identifying the right plant for our future needs, and extending the range with powerful new technologies from suppliers including Caterpillar, JCB and Ford.

We also developed plans to upgrade our distribution hubs across the country to establish purpose-designed plant yards, and maintenance and engineering centres. In 2017, the northern hub at Ollerton has undergone a £1.4m redevelopment while a £5m investment will transform the southern hub at Hemel Hempstead.

Underpinning this investment will be a major focus on developing people and technology. During 2017, everyone working in Murphy Plant – around 280 people – will receive an individually tailored learning and development plan. We will also introduce new software, purpose-designed for the hire industry, to give us complete visibility of our assets, delivery scheduling and reliability.

Having this breadth and depth of resource makes Murphy's self-delivery model complete. It means that every Murphy client and project benefits from people and plant delivered in-house, with rigorous quality control at every step.



PROJECT PROFILE

New hub at Ollerton

In 2016 Murphy Plant embarked on a significant project to build a facility that would support the growth of our plant business throughout the Ten Year Plan and beyond.

The 20-acre facility, which has an additional 20 acres of arable land attached at the rear, has gone through a full overhaul costing £1.4m.

The refurbishment not only focused on physical improvements to the site but also technical ones, with software upgrades greatly enhance our staff's ability to deliver great service and communicate globally.

Key facts:

- The depot is solely used by Murphy Plant and is one of three hubs in the UK and Ireland
- Murphy Plant hire desk function will operate from Ollerton along with the new newly-created Total Site Solutions (TSS)
- At the depot we have dedicated car, van and transport repair areas, HGV repair areas, small plant, medium plant and large plant repair areas, fabrication facilities and a spray shop
- The depot is also used to store specialist plant and equipment for pipelines, PTS, power and marine
- During construction we used our own plant and workforce, which meant 47% of the total project spend stayed within Murphy.



Ground Engineering

A RECORD YEAR OF HIGH-PROFILE, HIGH-VALUE PROJECTS

Murphy has been providing expertise in piling and ground engineering for more than half a century.

Over this time we have gained a reputation for excellence in ground engineering, providing piling in difficult conditions where our competitors are unable. In 2016, our revenue from piling projects stood at an all-time-high.

During the year, our ground engineering business units (JM Piling in the UK and Murphy International (MIL) in the Republic of Ireland) generated combined revenues of £18.5m, ranking us as a top 10 contractor in each country's market. We completed 34 contracts in 2016 and have been raising the average value of contracts year-on-year.

The year saw us make a significant profit contribution to the group as we completed a number of stand-out projects, ranging from infrastructure investments to residential developments.

They included:

- **Barrow Bridge**, New Rosss, Ireland: A project that generates superlatives - this is the longest bridge in Ireland and the longest three-tower bridge of its type in the world. Its construction required the country's deepest rotary bored piles (35.2m deep) and the largest dynamic loadtest (to 13,804kN).
- **Newbridge College**, Ireland: This was Murphy's first CFA piling project in Ireland, and involved building 16metre piles safely in one week, within the confines of a working school during term-time.
- **New Ladderswood**, London: The largest UK project of 2016 with a project value of £1.2m. Murphy provided piling for this large regeneration development with over 500 new homes, a hotel, commercial units and community centre.

- **Deephams**, London: As part of the Deephams Sewage Treatment Works Upgrade Project, a number of structures were piled during 2016 worth over £1m.

- **One Molesworth Street**, Dublin: This five-storey office development in the heart of Dublin required 213 piles, installed to depths of 21m. Despite difficult ground conditions, the project was delivered on time and within budget.

These and other projects saw us install more than 1,500t of steel reinforcement, pour more than 50,000m³ of concrete and construct more than 200,000 linear metres of pile.

All our projects were completed with an excellent safety record - a testament to our ingrained safety culture and activities such as 'Step Up' days to promote and refresh safe behaviour.

The business continued to invest in new technology, including two new emission-compliant Tier IV piling rigs, leading-edge systems for CFA and rotary rigs.

A new single banner from 2017

We move into 2017 with confidence and optimism, buoyed by a firm order book of more than £2m worth of projects.

We brought our JM Piling and MIL piling businesses together in January 2017, under a new brand: Murphy Ground Engineering. This will create a cohesive single entity, improving service for our clients and allowing us to use our expertise and resources in a more focused and efficient way. The year will also be marked with a new base for the UK business, in Hemel Hempstead, Hertfordshire, while our Irish operations continue at Newbridge, County Kildare.



PROJECT PROFILE

Barrow Bridge Bypass

Transport Infrastructure Ireland is committed to a programme of creating better connections throughout southern Ireland. Part of the programme includes a new 14km long dual-carriageway allowing traffic on the N25 to bypass New Ross in County Wexford. The bypass will include a three-tower bridge over the River Barrow.

The N25 is an extremely busy road connecting Cork City and Rosslare Europort and traffic often tailbacks causing commuters long delays. In many cases, these tailbacks have been known to add an extra 60 minutes to a journey.

The project will cost in the region of €217m. An estimated 300 jobs will be created throughout the course of its construction. The new bridge will be 900m in length, making it Ireland's longest bridge, almost double the length of Wexford Town's bridge.

Murphy has been brought on board to provide the piling foundations by the BAM and Dragados joint venture constructing Barrow Bridge.

The piles are the deepest rotary-bored piles in Ireland at 35m deep and required onerous rock sockets because of hard drilling conditions. At the time of construction, Murphy was the only company in Ireland with the capabilities to deliver the required piling.





Highways, Public Realm & Security

A STRONG YEAR WITH A FRESH STRATEGY

2016 was a good year for Murphy's Highways, Public Realm & Security business, not only financially but also strategically.

We recorded revenue of £8m, beating our targets, and closed the year with a strong cash balance. We also refreshed our business model, moving away from some decades-old local authority relationships which, due to spending cuts, would not deliver the returns required under our Ten Year Plan.

Demand for our expertise in hard landscaping, street infrastructure and furniture remains high. In particular, we have long been a preferred contractor for projects among iconic and historic buildings. Clients such as The Crown Estate, Grosvenor Estates, The Regent Street Association and Cadogan Estates look to us for high quality projects with the excellent aesthetics demanded by prestigious spaces.

These projects increasingly include security infrastructure, such as heavy duty bollards to guard against incursions and terrorism.

A new focus on developers

During the year, the team focused on the developer market - a strategy swiftly rewarded by securing an £8m works package for Lendlease's £2bn Elephant Park scheme. This is currently London's largest housing and retail development, and Murphy is responsible for all its public realm and hard landscaping works.

The project draws on our core skill of managing multiple stakeholders. These include Transport for London (TfL), Southwark Council and the utility companies, with whom we have excellent working relationships.

Murphy took the lead in introducing collaborative planning sessions on the Elephant Park project, bringing together the client and contractors. Our role is also time-critical - the first phases of work had to be completed in preparation for spring 2017, which is the key property marketing window for our clients.

Other highlights during the year included working at New Scotland Yard with BAM and for the Ministry of Defence with Skanska. Both involved security and public realm works opposite Downing Street, constructing robust security without impacting on the area's allure for residents, workers and tourists.

In 2017, we continue to focus on the developer market; our excellent relationship with Lendlease has already created new contract possibilities. We will also look to export our London-centric offering to other major cities in the UK.



REVENUE
2016



ELEPHANT
PARK SCHEME



City of Westminster
street works and security

PROJECT PROFILE

Elephant Park

Murphy is working on an £8m project for Lendlease as part of the overall £2bn regeneration of the Elephant and Castle area, undertaking all of the public realm works and hard landscaping.

This 28-acre development, one of Europe's biggest, will be central London's new green heart. It will include 2,500 new homes, 50 new shops, cafés, restaurants and a brand new park right at the centre of the scheme.

Murphy is helping to build an outstanding legacy for many years to come by creating and enhancing public spaces around the development. Work on this scheme has been designed to focus heavily on the external environment, creating a largely traffic-free area, communal open spaces, playgrounds, courtyards and a new high street.

Using the skills of our highly specialised team, the work will be follow the BRE SMARTWaste programme, championing re-use and recycling.

Our specialist stonemasons have been working with a variety of high-quality natural, stone paving. The works will help promote walking and cycling, with built-out stopping points to admire the greenery, linking areas seamlessly through clearly demarcated and easy-to-navigate routes, along courtyards and gentle pathways.

Other work by Murphy includes laying roads and installing outdoor seating, bicycle parking areas, new lighting and street furniture.

This work is due for completion in early 2019.



Construction, Development & Property Services

TAKING OUR CORE STRENGTHS TO A WIDER TARGET MARKET

From new-builds and developments to conversions and refurbishments, our team at Murphy works with private developers, local authorities and housing associations.

In 2016, we took a strategic decision to market to a wider community of external clients and additional sectors. We stepped up our business development, marketing, PR and work-winning activities to support this goal. We also worked closely with our engineering team to deliver projects that used off-site manufacturing and modular construction.

This new strategy quickly bore fruit: we won the construction contract to create the new headquarters of the Institute of Physics in Kings Cross, London. This high-specification, prestigious project will be technically demanding, retaining the front and rear façades while executing deep basement excavations, underpinning party walls and installing geothermal technologies.

More typically, we continued to secure important business in the private developer sector. This included a luxury housing development in Battersea, London.

Financially and operationally, Construction, Development & Property Services delivered a strong performance, making successful progress with high-quality projects.

Self-delivery in action

As 2016 drew to a close, we were building a mixed-use housing and retail scheme in Dalston Lane, Hackney. It comprises 44 design and build apartments, and 10 retail units, to be handed over ready for fit-out to Hackney Council, our joint venture partner. This has been a project of self-delivery carried out with considerable care, drawing on the wealth of trades we have in-house and satisfying strict conservation requirements on the front façade. Joining our team were three apprentices from the borough, directly employed on the Murphy apprenticeship training scheme.

In contrast, we also completed an extensive development for Garfield School in Enfield, London. The project included relocating part of the school community, carrying out demolition works and, as principal contractor, building the substructure and carrying out external works ready for the modular construction. We also managed the modular contractor, who worked closely with our own site team and the school.

During the year, we maintained a record of zero reportable incidents, ranking us with leaders in the industry for vigilant and consistent safety performance. We were also pleased to receive positive feedback from the Considerate Constructors Scheme.



Dalston Lane project (CGI)

PROJECT PROFILE

Dalston Lane

Murphy is in the process of completing a conservation-led, mixed-use regeneration scheme in Dalston Lane, Hackney.

The contract has involved demolishing the original buildings at 46-78 Dalston Lane, which included unoccupied flats and a number of ground floor retail units. However, it has also involved retaining part of the terrace of late Georgian to Victorian properties.

Demolition in this densely populated urban area was carried out in a careful and sympathetic manner, which has been essential due to the close proximity of neighbouring residents. Particularly unstable sections had to be demolished by hand to minimise risk of collapse and disruption to others.

Many aspects have been delivered - using our in-house expertise and people, including the foundations, drainage and front façade.

The scheme is being constructed using London reclaimed yellow stocks and a traditional lime mortar, to ensure local conservation requirements are met. This has meant time, care and numerous sample panels were needed, with the final approval being granted by the Mayor of Hackney.





Utility Connections

A LANDMARK CONTRACT WIN, AND ASSET OPPORTUNITIES

Almost every new building, whether residential or industrial, shares a common requirement to be connected to a water supply and a source of energy (whether electricity or gas, or both).

Murphy's Utility Connections team serves that need for our clients and their customers. We work principally with the housebuilding industry on new developments, and with developers of commercial and industrial premises.

In 2016, we made significant progress in this market, generating orders of £12m and meeting our targets.

Redrow Homes

During the year, we secured our largest ever dual-fuel connections contract from Redrow Homes to serve their flagship development in Tamworth, Staffordshire, where we are connecting up to 1,100 new homes.

One of the qualities that makes us different is multi-skilling: unlike most competitors, Murphy's teams are trained in almost all aspects of installing onsite mains for water, gas and electricity. This means all works can be carried out simultaneously, making site scheduling much simpler and more efficient for developers.

This model is also safer, with trenches dug, equipped and reinstated without delay, rather than being left open while separate specialist teams are waited for on site.

Asset ownership: long-term revenue

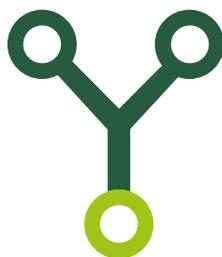
Murphy's Ten Year Plan aims to achieve greater ownership of assets as a whole, and connecting utilities offers us the opportunity to own the infrastructure we construct. We will then receive fees for transporting energy across our networks for years to come.

In 2016, Murphy Asset Services was formed to develop these new revenue streams, and we have begun the process of registering as an independent distribution network operator for electricity and as an independent gas transporter, licensed by Ofgem.



£12m

ORDERS
2016



1,100

NEW
CONNECTIONS
FOR REDROW



PROJECT PROFILE

Redrow Homes, Tamworth

In 2016, Murphy Utility Connections successfully secured a £2m dual-fuel contract with major house builder, Redrow Homes, for a development in the west Midlands. Murphy is providing a total energy solution of gas and electric networks for up to 1,100 new homes across 60 hectares.

The new development, to be known as Amington Garden Village, is being built as part of the regeneration of an old golf course in Tamworth, and is expected to be constructed over the next seven years. Our work on-site is already underway, with the installation of over 400m of off-site gas and electrical approach mains and a substation to service the development. The first phase of our work will be for around 250 homes.





Murphy in Ireland

MURPHY INTERNATIONAL LIMITED

It's been a successful year, in Europe's fastest-growing economy

Seventeen years after John Murphy founded J. Murphy & Sons in London in 1951, he returned home to establish the Irish branch of the business in 1968.

Today that operation, Murphy International Limited (MIL), sits at the heart of the construction industry in Ireland. We offer a full range of services including civil engineering, structural steel fabrication, piling, construction, and build and operate services.

The business delivered a strong performance in 2016 and significant projects during the year included:

- **Dublin Port:** Construction of two container yards, paved areas covering around eight acres each, high-security fencing and a road upgrade project
- **Sharnbrook Viaduct, UK:** Detailed measurement, prefabrication, shipping and fixing of individual steel sections in order to strengthen an existing bridge for Network Rail
- **Waterford:** An elegant public realm project involving the construction of a covered market square, together with granite paving and new services
- **Cork Kent Station:** Another sensitive upgrade involving refurbishment, a covered walkway and car parking at one of Ireland's oldest railway stations
- **Bolton Skylink:** A 100m, glass-sided station walkway, manufactured at Newbridge and scheduled to be installed in 2017
- **Irish Water Metering:** This €90m three-year contract to install 280,000 domestic water meters in south-west Ireland entered the home-straight in 2016 and was scheduled to finish in February 2017.

The year also saw significant strides in positioning the business for its next phase of growth. Negotiations and groundwork to welcome AECOM Design Build Ireland (ADBI) into the Murphy family were made in 2016, and this transaction gives an extra dimension to our offering in the water sector.

The business also started to draw up expansion plans for its Newbridge site. The steel fabrication business is at full capacity and we hope to gain approvals to apply for planning for new facilities and workspace in late 2017.

Despite the uncertainty caused by Brexit, there are signs that national authorities such as ports, power companies and transport agencies are developing new infrastructure plans. Indeed, the Construction Industry Federation (CIF) has forecast that Ireland's construction sector will grow from €12bn to €17bn by 2020.

As we look to take advantage of that investment, Murphy International Limited continues to collaborate with our UK parent, joining forces over projects, and benefiting from additional resources in tendering, finance, legal and technical areas.



**Ballymore - Ireland's
largest water treatment plant**



Murphy in Canada

SURERUS-MURPHY JOINT VENTURE

It's been a good year in a new territory for the Surerus-Murphy joint venture

Our continued expansion into Canada is a prime example of Murphy successfully transferring skills and people - in this case, pipeline specialists - to explore fresh opportunities in an international market.

The 50-50 Surerus-Murphy joint venture (SMJV) was established in 2015 with Surerus Pipeline Inc., a local specialist based in British Columbia. The JV's mission is to deliver large-diameter pipeline construction projects throughout Western Canada, with a particular focus on the major oil and gas projects within Alberta and British Columbia.

From the launch in 2015, the main objective was to achieve partner-of-choice status with the key companies in the oil and gas market. But in the early part of 2016, the venture faced testing market conditions: the oil price continued to be depressed and changes in government meant that regulatory approvals for key projects were being pushed back to later in the year.

However, in Q1 and Q2, the Spectra MSA agreement gave the venture its first projects as a fully integrated JV.

Then, in Q3 and Q4, the workload ramped up. Two delayed projects from earlier in the year went live: the Fox Creek to Namao 150km twin pipeline of 24inch and 16in, and the 39km High Pine 42inch pipeline project. These major constructions needed a workforce of more than 1,000 people, and is expected to rise to a peak more than 1,500 in early 2017.

The year also saw the JV build on its capabilities to support its goal of being a leading player in the Canadian market.

These steps forward included:

- Being the first specialist pipeline contractor to gain ISO 9001 and OHSAS 18001 accreditations
- Creating a sub-contractor management system
- Implementing dedicated software for project control, cost tracking and purchasing
- Being the only contractor to offer 3D modelling and photo imagery for the estimation of grade and trench rock blasting
- Rolling out the well-received 'Walk the Line' cultural development programme to more than 150 field supervisors at hub days.

2016 was a productive and high-achieving year, and the success of the projects has now put the JV on the radar for other major pipeline bids. This includes the upcoming \$7.6bn Kinder Morgan Transmountain project, one of the largest oil pipeline projects ever proposed in Canada, which will kick off in 2017.

When Surerus-Murphy was selected as preferred bidder for a significant proportion of the works, it crowned a great year for the whole team.





Murphy in Australia

MURPHY PIPE AND CIVIL GROUP

Firm relationships, successful delivery and sparkling innovation sum up the year for Murphy Pipe and Civil (MPC)

In Australia's competitive market for pipeline and energy infrastructure, MPC delivered a good performance in 2016.

The team developed important new relationships, showed sector leadership and innovation, constructed more than 700km of pipelines and won a series of awards for safety. Profit before tax for the year from continuing operations was A\$16.3m, on revenues of A\$198.2m (2015: A\$33.1m and A\$221.7m respectively).

MPC supports clients with end-to-end solutions, constructing large-scale steel and HDPE pipelines for transporting water, gas and coal seam gas (CSG), and developing brownfield CSG resource networks. More recently, the group expanded into civil and earthmoving projects for the mining and renewable resources sector, and CSG well servicing.

In a relationship-driven business, MPC cemented its status with key resource developers such as BG/QGC and Santos, and attracted notable new clients including QCoal and APA (civil and pipelines), Goldwind and Servion (renewable wind farms) and Arrow (well servicing).

A year of solid delivery

MPC had a successful run of projects during the year:

- **Charlie trunklines project:** 36km (36in) steel CSG trunkline, 36km (36in) HDPE water pipeline, and 36km of high voltage (HV) and fibre optic cable (FOC) installation for QGC
- **Gas field services project:** 600km of HDPE CSG gathering pipelines and 300 well-head installations for QGC (ongoing in 2017)
- **Roma West 2B project:** 180km of HDPE CSG gathering pipelines, 100 well-head installations, and electrical and instrumentation for Santos (ongoing in 2017)

- **Byerwen mine project:** 5.2km mining rail loop and two 25m mining rail bridge spans for QCoal (phase 2 starts in June 2017)
- **Roma to Brisbane pipeline refurbishment project:** 83 integrity assessments on APA's, high-pressure gas pipeline.

The ability to innovate

Research and development is a significant strength at MPC, and two projects in particular highlighted how in-house innovation helps to grow the business by offering added value.

- **Well servicing rigs:** These MPC-devised rigs are road-legal and don't require slow and cumbersome road escorts. Instead of a conventional rig's four-hour set up, they can be fully operational in 30 minutes, and with half the normal crew. These time and labour savings have been quickly embraced by cost-conscious CSG companies, and the rigs are now performing workovers on CSG wells for Arrow in north western Queensland
- **Cable Crawler:** The R&D team successfully retrofitted the fully-tracked cable winch on its fleet of SpiderPlow machines to carry much larger HV and fibre optic cable drums. They also designed a new cable swing arm to guide cables into trenches from above ground. This not only speeds up installation but safeguards against cable integrity issues. The new cable crawler is now working on a CSG field for Santos.

An award-winning year

It is always gratifying to receive accolades from third parties and during the year MPC won an award for a mental health app it developed and introduced to its workforce; gained an independent audit score of 9.4/10 for social performance, and was the only five-time winner of the QGC Safe Contractor of the Month Award during 2016.



Our people, culture and values

A company is no more and no less than the people within it, and we are proud to be measured by the talents and drive of our 4,000 colleagues.

Our company is built on the skills of our workers, contributing to a 'self-delivery' model that is rare in our industry.

We hire and develop our own people in-house, to the highest standards, meaning that every Murphy project is genuinely a Murphy creation.

We are committed to investing in our people, giving them a great place to work and a real opportunity to develop their abilities. That commitment is reflected not just in their performance but in their loyalty.

As a family business, we are proud that many of our employees have worked here for a long time and that many children follow their parents into the company. In fact, we have several groups of siblings, husbands and wives, and second generation Murphy people working for us.

Our Culture Development Programme

Murphy's Ten Year Plan is an ambitious statement of intent, designed to take our successful company to an altogether higher level. Our culture is a critical component in that progression, and in 2016 our Culture Development Programme (CDP) received a complete overhaul.

The CDP sets out the guiding values of how we work: Integrity and Respect For All, Constantly Improve, One Family - One Team - One Murphy, Always Deliver and Never Harm. It is also an active programme, championed across the business by CDP representatives. In 2016, the programme was also customised to meet specific needs, such as the 'Get on Board' initiative for the Gospel Oak to Barking electrification project, and is being embedded into our Canadian joint venture, Surerus-Murphy.

The CDP will also enhance our enabling package works for HS2. Our CDP has been chosen as the guiding cultural programme for LM on phase 1 of HS2's enabling works package for the north, dovetailing with the programmes of our partner, Laing O'Rourke, and HS2.



The CDP is taking shape. We had great success with Never Harm over the last five years. Now we're expanding to help our colleagues understand the role they play to deliver our Ten Year Plan.

Gareth Riding
Lead organisational coach



**INTEGRITY
AND RESPECT
FOR ALL**



**CONSTANTLY
IMPROVE**



**ONE FAMILY
ONE TEAM
ONE MURPHY**



**ALWAYS
DELIVER**



NEVER HARM

Learning and development

The Murphy Academy isn't purely about developing the skills and nurturing the talents of individuals. It's as much about creating a workforce that can operate under Murphy's self-delivery model, to the benefit of our clients and our company's future. From apprentices and graduates to supervisors and senior leaders, the academy offers a broad range of programmes designed to develop our people so they can give their best to the business. In many cases, courses are linked to external qualifications such as City & Guilds, Ashridge and ILM diplomas.

During 2016, we trained over 1,120 people. They honed their skills using a range of learning and development opportunities - from six-month courses to five-year programmes. This included 29 young people who completed their three-year apprenticeships. We also have 65 people on graduate courses, as well as 87 professionals on schemes to develop their technical, leadership or management abilities.

In a competitive recruitment climate, our investment in people, and the demonstrable ambition of the Ten Year Plan, is proving to be an important asset in recruiting and keeping talent.

It was also gratifying to receive several accolades in 2016, endorsing the standards and strengths that drive learning at Murphy. They included a 'Highly Commended' in the CITB Apprentice Large Employer of the Year Awards 2016; two further City & Guilds accreditations for our courses, making 13 in total; and winning a 2016 Princess Royal Training Award - the only company in the construction industry to do so.



**1,120
INDIVIDUALS
TRAINED
IN 2016**



**13
CITY & GUILDS
ACCREDITATIONS**



Working on the onshore substation for the EOWDC has given me an amazing opportunity to expand my knowledge and experience. Thanks to this project and Murphy's support, I feel that my technical skills are developing every day.

Veronika Koseleva
Senior engineer



Winning Murphy's 'Apprentice of the Year' has shown me how much Murphy recognises and rewards hard work. The company has shown a real interest in all of my training and development during my first year on the Murphy apprenticeship scheme.

George Brookes
Gas network operations 1

DOING THE RIGHT THING

Safety

Safety is paramount in our organisation, and as part of our Never Harm value, the principle that everyone should go home safe is non-negotiable.

We study our safety performance closely, not simply by measuring it but also by using the data we gather to learn and prevent accidents. This is aided by a new and rigorous reporting system for both accidents and near-misses, giving us a much clearer picture of what is happening on-site. During 2016, our accident frequency rate (AFR) stood at 0.19. Although no accident is ever acceptable, the frequency of incidents is reducing and has almost halved in the last ten years.

We were also delighted to see our efforts endorsed by the Royal Society for the Prevention of Accidents (RoSPA), which awarded Murphy a gold achievement award for sustaining the highest standards of health and safety.



0.19

**ACCIDENT
FREQUENCY RATE
(AFR)**



48%

**FEWER
ACCIDENTS
THAN 2006**

Sustainability

Never Harm applies equally to the environments in which we operate. Working in heavy industry, we must draw on our skills and insights on how we mobilise plant and people, contain pollutants and minimise emissions.

In 2016, we strengthened our e-learning programme by launching our first sustainability module. During the year, more than 450 employees took the course, and our plan is to make this part of the company induction during 2017.



I'm proud to be part of the CBI Construction Council Future Leaders Group, which draws on my experience at Murphy; most recently, I led on the supply of non-traction power to several of the Crossrail stations. I look forward to walking through the stations for years to come, knowing I was part of the team that made it possible.

Chris Bennett
Senior engineer

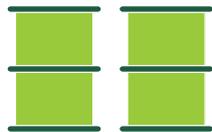


Our environmental incident frequency rate (EIFR) has more than halved since 2010 to 0.11.

The year also saw us make measurable improvements in reducing our carbon emissions, which are now 32% lower than in 2010. This is certified to ISO14064-1 through the Achilles Certified Emissions Management and Reduction Scheme (CEMARS). This keeps us well on course to meet our 40% reduction target by 2020.

This excellent progress has been driven by exploring every opportunity, including taking advantage of new-generation vehicles and plant. For example, we estimate that since 2010 we have saved more than 17m litres of fuel, or 48,000 tonnes CO₂ through improvements in plant and equipment.

We also installed hybrid power pods (HPPs) at 64 of our sites. Working alongside conventional diesel power, the pods automatically switch over from diesel to internal batteries at given times or according to certain power demands. This resulted in a remarkable saving of nearly 425,000 litres of diesel in 2016 and over 1,100 tonnes of CO₂ emissions.



17m

LITRES OF FUEL
SAVED



48,000t

CO₂ EMISSIONS
SAVED

Playing our part

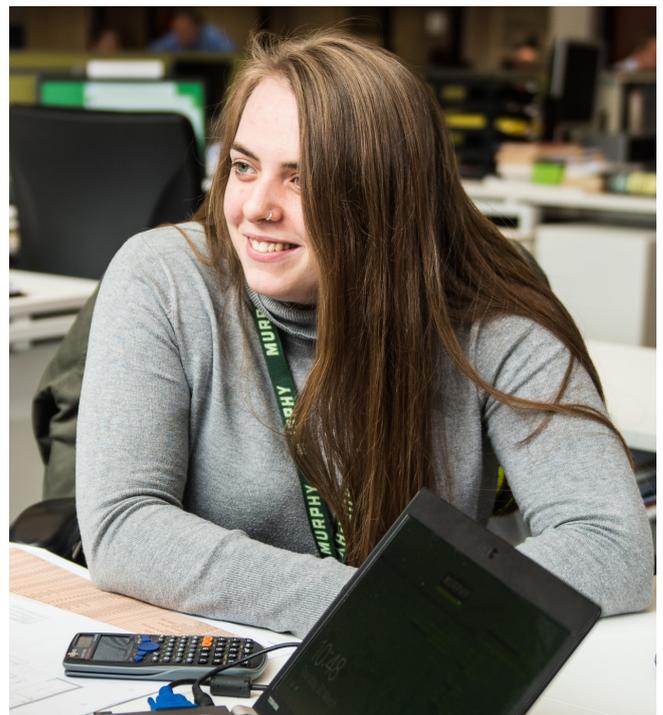
Murphy was proud to enter into a two-year partnership during 2016 with Great Ormond Street Hospital and Macmillan Cancer Support. Our challenge, and it's one that we relish, is to raise £100,000, shared between these two organisations before May 2018.

We have set to the task in fine style and are on track to bike, bake, golf and even sky-dive our way beyond the first year's target. There is a formal committee to drive the success of our fundraising. Other activities include supporting AquAid to provide water pumps for African villages and volunteering our time when a gang of willing helpers is needed in our local communities.



As part of our One Murphy team approach, I strongly believe it's important to engage and support the community where we're working. During one of the ten bridge reconstructions we did last year, we supported St Matthew's Victoria Scout Group to complete their scout hut extension, using surplus material from the Richmond Street reconstruction project in Ashton-on-Lyne.

Brendan McNeill
Operations manager, Rail



Financial performance

WE HAVE DELIVERED OUR 2016 FINANCIAL COMMITMENTS



David Burke
Chief financial officer

FINANCIAL HIGHLIGHTS

Profit before tax

£23.3m

Revenue

£613.9m

Cash flow

£96.9m

Balance sheet net

£214.1m

Order book

£1,174m

Building on 2015's foundations, we have delivered our 2016 financial commitments and maintained our strong balance sheet.

Murphy had a solid financial performance in 2016 further strengthening our strong cash position and continuing to grow our order book to well over £1bn. This performance leaves the company well placed to deliver its strategic ambition across our core sectors.

The group achieved the targets set for its key geographic areas of operation and overall reported revenue, including share of joint ventures, was £691.8m (2015: £703.9m).

Total revenue was lower at £613.9m (restated 2015: £629m), largely attributable to Crossrail works completing in 2015 and reduction of activity in other parts of the UK business. However, this was somewhat offset by the first full trading year of Surerus-Murphy.

Profit before tax in 2016 increased to £23.3m (2015: £13.8m). This was driven by the successful conclusion of a number of legacy projects and management of our live projects. There were losses in Australia following the closure of MPC's business in the US and a modest loss in Canada.

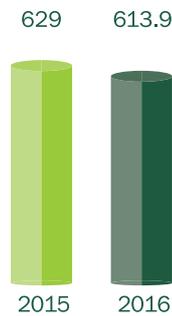
During the year, the group introduced new profit-take rules to add prudence to financial reporting that has enabled greater resilience and better financial control of our contracts.

Murphy is committed to its self-delivery model and this approach, coupled with an established and skilled supply chain, is highly attractive to our clients. To support this, we continue to invest heavily (£2.5m in 2016) in training for all our employees. We also remain proud of our approach to safety and the resulting statistics confirm that our approach is working: over 85% of incidents in 2016 were reported within two hours.

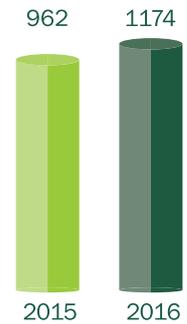
Cash balances (£m)



Revenue (£m)



Order book (£m)



Cash flow

The group ended the year with cash balances of £96.9m (2015:£84.9m). We continued to invest in plant and equipment, funded through a mixture of cash flow generated through operations and the limited introduction of third party debt. We also maintained our commitment to pay our suppliers promptly.

The group continues to review its credit support arrangements, including bonding requirements. We liaise closely with our financial stakeholders, and believe we have adequate facilities and headroom to meet our future projections.

Balance sheet

The group maintains a very healthy balance sheet with net assets of £214.1m (2015: £207.4m). There has been an increase in tangible fixed assets in respect of the capital expenditure on plant and equipment; the ongoing investment in our IT infrastructure; and the investment (and revaluation) of our property portfolio.

Net current assets amount to £80.9m (2015: £73.7m).

The group operates three defined contribution pension schemes with the assets held in independently administered funds. Additionally, the company sponsors a defined benefit pension scheme that closed to new members in 2012. Due to the effect of Brexit on the gilt market, this scheme is running at an actuarial deficit of £16.2m. We consider this deficit to be temporary and continue to contribute at a rate of £1.5m per annum, as agreed with the trustees of the scheme.

Order book

The group order book stood at £1.2bn (2015: £962m), an increase largely due to winning one of the blocks of HS2's enabling works. This will be worth £175m to the group. With the size and visibility of our pipeline we are confident of delivering our budget for 2017. The picture is less certain for 2018; there are signs that certain projects will be delayed, particularly in the South East. However, we can clearly see a number of major opportunities, and the appointment of sector leads, our rising success in winning bids and our strong track record of delivery, see us well placed to take advantage of these opportunities.

Finance transformation

Looking forward, we are embarking on a Finance Transformation Programme in 2017. Our objective is to achieve a step change improvement in our finance processes, controls and management information.

This will be enabled by a best-in-class finance system that is fit for the future, as Murphy grows to achieve its Ten Year Plan.

Conclusion

The group is privately owned, and we acknowledge the support of our shareholders who are fully supportive of the business strategy. We also benefit from short lines of communication that enable swift decision-making.

Overall, we can look back with some pride on our business performance in 2016. However, we are never complacent; we operate in very challenging markets and our focus on maintaining a resilient balance sheet never wavers.

We look forward to 2017 and achieving the financial commitments in year two of the Ten Year Plan.

Financial statements

Consolidated profit and loss account for the year ended 31 December 2016

	2016 £	Restated 2015 £
Turnover	613,924,789	629,057,033
Operating costs	(603,126,884)	(630,493,736)
Other operating income	4,570,461	3,949,258
Group operating profit / (loss)	15,368,366	2,512,555
Net interest receivable	440,357	711,322
Surplus on revaluation of investment properties	10,600,340	6,829,298
Share of profit in JV	(3,109,081)	3,751,489
Profit on ordinary activities before tax	23,299,981	13,804,664
Taxation	(5,310,359)	(1,279,472)
Profit/(loss) for the financial year	17,989,622	12,525,192

Consolidated balance sheet as at 31 December 2016

	2016 £	Restated 2015 £
Fixed assets		
Tangible assets	121,475,827	102,788,081
Investment in joint venture	35,137,714	30,926,099
Total fixed assets	156,613,541	133,714,180
Current assets		
Stock	20,364,934	17,264,648
Debtors	192,344,401	183,248,288
Cash at bank & in hand	96,913,695	84,876,720
Total current assets	309,623,030	285,389,656
Creditors: amounts falling due within one year	(228,724,760)	(211,697,884)
Net current assets	80,898,270	73,691,772
Total assets less current liabilities	237,511,811	207,405,952
Creditors: amounts falling due after one year	(7,206,664)	-
Post-employment benefits	(16,177,000)	(47,000)
Net assets	214,128,147	207,358,952
Capital and reserves		
Share capital	2,542,500	2,542,500
Profit and loss account	211,678,106	204,908,911
Equity attributable to owners of the parent	214,220,606	207,451,411
Non-controlling interest	(92,459)	(92,459)
Total equity	214,128,147	207,358,952



Governance and risk

MURPHY IS COMMITTED TO A HIGH STANDARD OF CORPORATE GOVERNANCE



Alastair Kerr
Chairman

Delivering the Ten Year Plan requires a foundation of strong corporate governance and a rigorous approach to the management of risk. The shareholders believe this to be the essence of sustained business performance. They are committed through this to maintaining the highest levels of behaviour and integrity with all our stakeholders.

Having an ambitious business plan and growth strategy means we have to adopt best practice in this area. This is a continuous process of improvement and development. From monthly leadership reporting to project risk profiling, we are taking steps to ensure we continue to deliver in line with our values.

A solid reporting and governance structure

Having already established a new board, committee and leadership structure, 2016 saw us continue to develop that approach.

Our main board comprises ten directors, three of whom are independent non-executive directors, including the chairman. Four of the directors are Murphy family directors.

The chief executive officer sits on the main board, reporting to the chairman. The company's chief operating officer and chief financial officer also sit on the main board. Murphy has three other board committees.

- The Executive Management Board (EMB) is led by the CEO and is made up of operational and functional leaders from across the company. This group is responsible for the day-to-day running of the company. Its effectiveness is reviewed by the main board, eight times a year.
- The Audit and Risk Committee, and the Remuneration Committee, are both chaired by independent non-executive directors and includes family directors (see committee summary reports on page 55). Members of the Murphy family participate in the business as non-executive directors, on the main board and on these two committees.

Given the importance of safety to our board, family and culture, there is also a Safety, Health, Environment, Security and Quality (SHESQ) Committee. This is made up of leaders with responsibility for these areas.

Managing our risk

As part of our continuous review process, our Audit and Risk Committee approved a strengthened risk methodology. We now categorise our risks in four main areas: strategic, operational, financial and regulatory. Our revised approach goes into greater detail to identify how likely the risk is and its potential impact, producing a measurement we can practically apply to our work.

Whether that risk is within tolerance, at tolerance, uncomfortable or critical gives us a clear rationale for how we progress.

Moving forward

Our customers and stakeholders expect us to behave in a responsible manner and we are committed to doing that. While we have a solid base for our approaches to managing our governance and risk, we aren't standing still.

As an organisation, we must be able to change and adapt. We are already introducing new reporting lines for 2017 and driving new ways of working that will give us clearer oversight of our risk than ever before. Change is the new normal and our corporate governance and risk management are central to making sure we succeed.

RISK SUMMARY

STRATEGIC

BIDDING/WORK WINNING

Risk: Selecting and winning the right work opportunities is key to the success of the business.

Mitigation: This is managed by a process with a number of approval and review stages, from the presentation of the initial opportunity through to contract completion. We have introduced key risk parameters as part of the bid review process, identifying risks which are and aren't acceptable to the business as part of that process.

ECONOMIC ENVIRONMENT

Risk: The business will always be subject to changing market and economic conditions, particularly in the regulated utilities sector.

Mitigation: This is mitigated by having a diverse workload in sector and geography, ensuring a range of sectors and clients are engaged on an ongoing basis.

REGULATORY

BUSINESS CONDUCT AND COMPLIANCE

Risk: Failure to observe the highest standards of business integrity can result in legal sanction, financial penalties and reputational damage.

Mitigation: This is managed by having clear policies in place with a designated compliance officer and an independent confidential phone line for reporting concerns.

SUSTAINABILITY

Risk: Operating sustainably, working considerately and minimising the impact on the environment around us is vital to ensure we deliver our business growth and win the right contracts.

Mitigation: Our sustainability roadmap sets out our strategic objectives, making sure we do not harm the communities where we work. This is supported by having detailed policies and procedures in place.

FINANCIAL

FINANCIAL

Risk: Sufficient levels of operating cash are vital for the operation of the business.

Mitigation: Debtor reviews and cash flow forecasting are key tools in managing our cash requirements. The revised approach has been built on years of experience, industry best practice and with a focus on the key risk areas that arise from our Ten Year Plan.

HEALTH AND SAFETY

Risk: The wellbeing of our colleagues and communities is essential if we are to succeed as a business.

Mitigation: Managing the risk of injury or harm to our people is achieved by having the right behaviours in the business. This is driven by our Culture Development Programme, as well as by having detailed health and safety policies and procedures in place and our Never Harm approach embedded as one of our company values.

PEOPLE

Risk: We need to attract and retain the best people to deliver, in line with our business plan.

Mitigation: We manage staff turnover and manage our talent through our performance development process, offering appropriate remuneration and incentive packages and succession planning.

PROJECT EXECUTION

Risk: Poorly delivered projects will harm the company's reputation and prospect of winning new or repeat business.

Mitigation: Project delivery plans and monthly commercial reporting ensure that our projects are delivered on time and to budget.

OPERATING ENVIRONMENT/SYSTEMS

Risk: The business depends on its IT infrastructure and operating systems to support its success.

Mitigation: We are investing heavily in our IT capability and performance to support the business and deliver its growth plan.

OPERATIONAL

AUDIT & RISK COMMITTEE



Huw Davies
Independent non-executive director

The Audit and Risk Committee is chaired by Huw Davies, an independent non-executive director of Murphy's main board.

The committee's membership consists of independent non-executive directors and family directors.

The primary focus of the committee is the integrity of the group's financial statements, the effectiveness of internal controls, the performance of the internal audit function, the performance and independence of the external auditors, and compliance with legal and regulatory requirements.

The committee also has a responsibility to ensure that inherent and emerging risks throughout the business are identified and appropriately managed, approving the standards and processes implemented.

REMUNERATION BOARD COMMITTEE



Mike Toms
Independent non-executive director

The Remuneration Board Committee is chaired by Mike Toms, an independent non-executive director of the company's main board. It is responsible for reviewing the remuneration of senior executives, the ongoing appropriateness and relevance of the remuneration policy, determining the policy for the annual pay review and bonus scheme, and overseeing any major changes in employee benefit structures. The committee consists of non-executive directors to ensure independence and transparency, and it met three times during 2016.

During the year the Remuneration Board Committee:

- Recommended the annual pay award
- Recommended the annual staff bonus award
- Reviewed the succession planning in the business
- Conducted a benchmarking exercise on the company's remuneration and benefits policies
- Recommended changes to the pension benefits offered to certain grades of employees
- Set the targets for long-term incentive plans for the senior executives.

Moving forward, the committee aims to continue adopting best practice and ensure the relevant approaches are implemented by Murphy to support its Ten Year Plan.



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