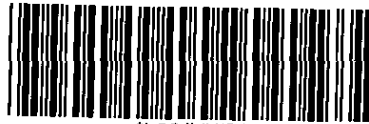


Registered no: 492042

J. Murphy & Sons Limited
Annual report and financial statements
for the year ended 31 December 2016

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J. Murphy & Sons Limited

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J. Murphy & Sons Limited

Directors and advisers

Directors

B Murphy
John P Murphy
D Ramsay (Resigned 6 February 2017)
A Kerr
S Hollingshead
H Davies
M Toms
D Burke (Appointed 3 October 2016)
J Murphy (Appointed 31 March 2017)
D Lodge (Appointed 31 March 2017)
C Mara (Appointed 31 March 2017)
K Murphy (Appointed 31 March 2017)

Company secretary

J P Murphy

Company Number

492042

Registered office

Hiview House
Highgate Road
London
NW5 1TN

Bankers

Royal Bank of Scotland
135 Bishopsgate
London EC2M 3UR
England

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

J. Murphy & Sons Limited

Strategic report for the year ended 31 December 2016

The directors present their strategic report on the Group and parent company for the year ended 31 December 2016.

Principal activities

The principal activity of the business is the delivery of major infrastructure programmes in the United Kingdom, Ireland and internationally, together with related plant and specialist construction activities including piling and ground engineering, structural steel fabrication and pipelines testing services. The business also engages in building and selective property development activities.

The core infrastructure sectors within which the business operates include water, rail, power and natural resources.

Business review

The total Group turnover decreased in the year to £613,924,789 (2015 Restated: £629,057,033) due to a reduction in activity in the UK and Ireland as some major schemes reached completion.

The Group reported a profit before taxation of £23,299,981 (2015: £13,804,664). This performance is driven by improved delivery in our UK business against a backdrop of investment in our cost base to build resilience for the future, and the losses incurred in our Australian JV.

The UK performance has been satisfactory across all sectors. We are pleased to have secured an Enabling Works contract on HS2 in conjunction with our partners Laing O'Rourke. Our investment property portfolio has also delivered valuation uplifts in the year.

Our JV in Australia, Murphy Pipe and Civil Group Pty Ltd, generated a loss in 2016 as a result of market entry into the USA. This USA business has subsequently been shut down and the business is now focused solely on the Australian market.

Our wholly owned Irish subsidiary, Murphy International Limited, reported a small loss this year.

Our Canadian Joint Venture, Surerus Murphy (SMJV), has established itself in the market place securing new work and developing a sizeable pipeline for the future.

Future development and outlook

The Group has now generated a £1.2bn order book and expects this trend to continue in 2017 with the growth of the Canadian business and the award of main works contracts in HS2.

The Group is committed to pursuing opportunities within its core markets and sectors which fit its criteria of safe delivery and enhance the profitability and cash generation within the Group to ensure its ongoing sustainable growth.

We are now in Year 2 of our Ten Year Plan. In building our platform for growth we continue to invest in competency and capability in operations and functional support teams. This investment will enable the transformation of the Murphy Group into an established Tier 1 provider in our core market sectors. Underpinning all of this is our ability to deliver safely, reliably and sustainably with respect for the environment.

Key performance indicators

The Group profit before taxation amounted to £23,299,981 (2015: £13,804,664).

The net assets of the Group amounted to £214,128,147 (2015: £207,358,952).

J. Murphy & Sons Limited

Strategic report for the year ended 31 December 2016 (continued)

Principal risks and uncertainties

The Group manages its financial risks through its banking and bonding arrangements and has no material currency or liquidity risks. The Group has no major bank debt on its Balance Sheet, however, during 2016 we have begun to acquire plant and equipment through finance leases which we consider to be a more effective use of capital.

Principal construction risks and business risk management are managed through the Group operating structure and operating and commercial reviews held with senior management.

The Group recognises the competitive nature of tendering within the markets in which it operates but believes it has robust methodologies in place to understand and manage the risks which may influence project outcomes. As with any business, the Group is exposed to a certain level of credit risk but mitigates this by ensuring that credit checks are carried out.

A significant number of our major projects are undertaken for Regulated Industry clients and hence are subject to strict monitoring procedures. Where this is not the case, performance and cash flow on contracts are also closely monitored by our commercial teams and any issues escalated to the senior management of the Group

This report was approved by the board on

2017 and signed on its behalf.



D Burke
Director

19/6/17

J. Murphy & Sons Limited

Directors' report for the year ended 31 December 2016

The directors present their report and the audited financial statements of the Group and Company for the year ended 31 December 2016.

Results and dividends

The profit for the financial year amounted to £17,989,622 (2015: £12,525,192).

The Group paid interim dividends of £7,000,000 during the year (2015: £5,123,929). The Group paid a final dividend of £2,500,000 after the year end.

Future developments

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

After the year end, the Group has decided to dissolve two of its dormant subsidiaries.

Directors

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

B Murphy	
John P Murphy	
D Ramsay	(Resigned 6 February 2017)
A Kerr	
S Hollingshead	
H Davies	
M Toms	
D Burke	(Appointed 3 October 2016)
J Murphy	(Appointed 31 March 2017)
D Lodge	(Appointed 31 March 2017)
C Mara	(Appointed 31 March 2017)
K Murphy	(Appointed 31 March 2017)

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

Employee policies

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

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

Employees are encouraged to become involved in the financial performance of the Group by participating in the companies innovation programmes and via regular liaison and contact with their managers, business unit briefings and overall Group information bulletins.

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

J. Murphy & Sons Limited

Directors' report for the year ended 31 December 2016 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors' report and the Group and parent Company financial statements (the "financial statements") in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards ("United Kingdom Generally Accepted Accounting Practice"), including Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard Applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

The Group meets its day to day working capital requirements and has significant cash reserves at year end. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate without the need for external facilities for the foreseeable future.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Statement of disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company and the Group's auditors in connection with preparing their report and to establish that the Company and the Group's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

This report was approved by the board on

2017 and signed on its behalf.



D Burke
Director

19/6/17

J. Murphy & Sons Limited

Independent auditors' report to the members of J. Murphy & Sons Limited

Report on the financial statements

Our opinion

In our opinion, J. Murphy & Sons Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2016 and of the group's profit and cash flows for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Annual Report and financial statements (the "Annual Report"), comprise:

- the Consolidated and Company Balance Sheets as at 31 December 2016;
- the Consolidated Profit and Loss account and the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity and Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

J. Murphy & Sons Limited

Independent auditors' report to the members of J. Murphy & Sons Limited (continued)

Other matters on which we are required to report by exception (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves


We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Jonathan Hook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

19/6/2017

J. Murphy & Sons Limited

Consolidated Profit and Loss account for the year ended 31 December 2016

	Note	2016 £	Restated 2015 £
Turnover	3	613,924,789	629,057,033
Cost of sales	4	(603,126,884)	(630,493,736)
Other operating income		4,570,460	3,949,258
Group operating profit	5	15,368,365	2,512,555
Net interest receivable	8	440,357	711,322
Surplus on revaluation of investment properties	11	10,600,340	6,829,298
Share of (loss) / profit in joint venture, post-tax	12	(3,109,081)	3,751,489
Profit before taxation		23,299,981	13,804,664
Tax on profit	10	(5,310,359)	(1,279,472)
Profit for the financial year	21	17,989,622	12,525,192
Profit attributable to:			
- Owners of the parent		17,989,622	12,525,192
- Non-controlling interest		-	-
		17,989,622	12,525,192

All amounts relate to continuing operations.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2016

	Note	2016 £	2015 £
Profit for the financial year	21	17,989,622	12,525,192
Other Comprehensive Expense:			
Actuarial (loss) / gain recognised in pension scheme	9	(17,655,000)	2,429,000
Movement on tax relating to pension deficit	10	3,030,160	(518,180)
Currency translation differences	21	10,404,413	(2,787,161)
Other Comprehensive Expense for the year, net of tax		(4,220,427)	(876,341)
Total Comprehensive Income for the year		13,769,195	11,648,851
Total Comprehensive Income attributable to:			
- Owners of the parent		13,769,195	11,648,851
- Non-controlling interest		-	-
		13,769,195	11,648,851

The notes on pages 14 to 40 form part of these financial statements.

J. Murphy & Sons Limited

Consolidated Balance Sheet as at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	11	121,475,827	102,788,081
Investments in joint venture	12	35,137,714	30,926,099
Total fixed assets		156,613,541	133,714,180
Current assets			
Stocks	14	20,364,934	17,264,648
Debtors	15	192,344,401	183,248,288
Cash at bank and in hand		96,913,695	84,876,720
Total current assets		309,623,030	285,389,656
Creditors: amounts falling due within one year	16	(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 after more than one year	17	(7,206,664)	-
Post-employment benefits	9	(16,177,000)	(47,000)
Net assets		214,128,147	207,358,952
Capital and reserves			
Called up share capital	20	2,542,500	2,542,500
Profit and Loss account	21	211,678,106	204,908,911
Total 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

The financial statements on pages 8 to 40 were approved by the board of directors on
were signed on its behalf by:

2017 and



D Burke
Director

19/6/17

Registered number: 492042

The notes on pages 14 to 40 form part of these financial statements.

J. Murphy & Sons Limited

Company Balance Sheet as at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	11	109,564,664	93,144,929
Investments	13	18,250,818	18,250,806
Total fixed assets		127,815,482	111,395,735
Current assets			
Stocks	14	2,877,350	5,210,615
Debtors	15	190,383,977	188,158,758
Cash at bank and in hand		87,095,678	81,620,068
Total current assets		280,357,005	274,989,441
Creditors: amounts falling due within one year	16	(211,900,839)	(213,816,302)
Net current assets		68,456,166	61,173,139
Total assets less current liabilities		196,271,648	172,568,874
Creditors: amounts falling after more than one year	17	(6,322,495)	-
Post-employment benefits	9	(16,177,000)	(47,000)
Net assets		173,772,153	172,521,874
Capital and reserves			
Called up share capital	20	2,542,500	2,542,500
Profit and Loss account	21	171,229,653	169,979,374
Total equity		173,772,153	172,521,874

The financial statements on pages 8 to 40 were approved by the board of directors on
were signed on its behalf by:

2017 and


D Burke
Director

19/6/17

The notes on pages 14 to 40 form part of these financial statements.

J. Murphy & Sons Limited

Consolidated Statement of Changes in Equity for the year ended 31 December 2016

	Note	Called up share capital £	Profit and Loss account £	Total equity attributable to owners of the parent £	Non- controlling interest £	Total equity £
Balance as at 1 January 2015		2,542,500	198,383,989	200,926,489	(92,459)	200,834,030
Profit for the financial year		-	12,525,192	12,525,192	-	12,525,192
Other Comprehensive Expense for the year		-	(876,341)	(876,341)	-	(876,341)
Total Comprehensive Income for the year		-	11,648,851	11,648,851	-	11,648,851
Dividends		-	(5,123,929)	(5,123,929)	-	(5,123,929)
Balance as at 31 December 2015		2,542,500	204,908,911	207,451,411	(92,459)	207,358,952
Balance as at 1 January 2016	21	2,542,500	204,908,911	207,451,411	(92,459)	207,358,952
Profit for the financial year	21	-	17,989,622	17,989,622	-	17,989,622
Other Comprehensive Expense for the year		-	(4,220,427)	(4,220,427)	-	(4,220,427)
Total Comprehensive Income for the year		-	13,769,195	13,769,195	-	13,769,195
Dividends	22	-	(7,000,000)	(7,000,000)	-	(7,000,000)
Balance as at 31 December 2016	21	2,542,500	211,678,106	214,220,606	(92,459)	214,128,147

The notes on pages 14 to 40 form part of these financial statements.

J. Murphy & Sons Limited

Company Statement of Changes in Equity for the year ended 31 December 2016

	Note	Called up share capital £	Profit and Loss account £	Total equity £	Non- controlling interest £	Total equity £
Balance as at 1 January 2015		2,542,500	166,545,097	169,087,597	-	169,087,597
Profit for the financial year		-	6,647,386	6,647,386	-	6,647,386
Other Comprehensive Income for the year		-	1,910,820	1,910,820	-	1,910,820
Total Comprehensive Income for the year		-	8,558,206	8,558,206	-	8,558,206
Dividends		-	(5,123,929)	(5,123,929)	-	(5,123,929)
Balance as at 31 December 2015		2,542,500	169,979,374	172,521,874	-	172,521,874
Balance as at 1 January 2016	21	2,542,500	169,979,374	172,521,874	-	172,521,874
Profit for the financial year	21	-	22,875,119	22,875,119	-	22,875,119
Other Comprehensive Expense for the year		-	(14,624,840)	(14,624,840)	-	(14,624,840)
Total Comprehensive Income for the year		-	8,250,279	8,250,279	-	8,250,279
Dividends	22	-	(7,000,000)	(7,000,000)	-	(7,000,000)
Balance as at 31 December 2016	21	2,542,500	171,229,653	173,772,153	-	173,772,153

The notes on pages 14 to 40 form part of these financial statements.

J. Murphy & Sons Limited

Consolidated Statement of Cash Flows for the year ended 31 December 2016

	Note	2016 £	2015 £
Net cash generated from operating activities	23	27,877,157	26,578,987
Taxation paid		(2,766,056)	(237,093)
Net cash generated from operating activities		25,111,101	26,341,894
Cash flow from investing activities			
Purchase of tangible assets		(11,133,634)	(21,626,992)
Proceeds from disposals of tangible assets		4,586,649	2,522,754
Interest received	8	457,637	639,392
Dividend received from joint venture		880,902	-
Net cash used in investing activities		(5,208,446)	(18,464,846)
Cash flow from financing activities			
Dividends paid	22	(7,000,000)	(5,123,929)
Interest paid	8	(8,036)	(70)
Repayment of obligation under finance leases		(857,644)	-
Net cash used in financing activities		(7,865,680)	(5,123,999)
Net increase in cash and cash equivalents		12,036,975	2,753,049
Cash and cash equivalents at the beginning of the year		84,876,720	82,123,671
Cash and cash equivalents at the end of the year		96,913,695	84,876,720
Cash and cash equivalents consist of:			
Cash at bank and in hand		96,913,695	84,876,720
Short term deposits		-	-
Cash and cash equivalents		96,913,695	84,876,720

The notes on pages 14 to 40 form part of these financial statements.

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

1 Accounting policies

General information

J. Murphy & Sons Limited (“the Company”) and its subsidiary undertakings (“the Group”) undertake construction work in building, civil engineering and allied trades.

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

Statement of compliance

The Group and individual financial statements of J. Murphy & Sons Limited have been prepared in compliance with United Kingdom Accounting Standards, including “Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS 102”) and the Companies Act 2006.

Summary of significant accounting policies

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

Basis of preparation of financial statements

These consolidated and Company financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain land and buildings.

The preparation of these consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below.

Going concern

The Group meets its day-to-day working capital requirements through its banking facilities. The Group’s forecasts and projections, taking into account of reasonable possible changes in trading performance, show that the Group should be able to operate within its current level. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

Exemptions for qualifying entities under FRS 102

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

- from preparing a Statement of cash flows for the Company, on the basis that it is a qualifying entity and the Consolidated statement of cash flows, included in these financial statements, includes the Company’s cash flows;
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

1 Accounting policies (continued)

Basis of consolidation

The financial statements consolidate the financial statements of J. Murphy & Sons Limited and all of its subsidiary undertakings ('subsidiaries'). All financial statements are prepared to 31 December 2016.

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

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

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

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

Goodwill

Goodwill on acquisitions is amortised over its useful estimated life and will not exceed 10 years. The goodwill arising in the joint venture is being amortised over 5 years.

Intangible assets acquired as part of an acquisition of a business are stated at fair value less accumulated amortisation and any impairment losses, provided that the fair value can be measured reliably on initial recognition.

Provision is made for impairment in the period in which it arises. It is reviewed at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible assets and depreciation

Tangible assets are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. Cost include the original purchase price and costs directly attributable to bring in the assets to its working conditions for its intended use.

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

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

		%
Land and buildings	-	1 - 4
Plant and machinery	-	4 - 35
Motor vehicles	-	4 - 35
Computer and other equipment	-	4 - 50

Land is not depreciated.

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

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

1 Accounting policies (continued)

Investment properties

Investment properties are stated at fair value which is the open market value in accordance with FRS 102, and are not depreciated. This treatment is contrary to the Companies Act 2006 which states that fixed assets should be depreciated, but is, in the opinion of the directors, necessary in order to give a true and fair view of the financial position of the Group.

Investment property acquisitions are not recognised until the contract is unconditional. Associated purchase costs will be capitalised.

An existing investment property which undergoes redevelopment for continued future use as an investment property remains in investment properties.

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

Profits and losses on disposal of land and buildings represent the difference between the net proceeds and the net carrying value at the date of sale. Sales are accounted for when there is an exchange of unconditional contracts.

Business combinations

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

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the Consolidated profit and loss account and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly-controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to FRS 102 has been retained at the previous UK GAAP value at that date, subject to being subsequently tested for impairment.

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

Joint operations

The Group enters into arrangements with partners to bid for and fulfil certain contracts. Where the arrangement does not carry on a trade or business of its own and the partners have joined together solely to undertake a project or framework of projects, the Group classifies this as a joint operation.

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

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

1 Accounting policies (continued)

Joint ventures

J. Murphy & Sons Limited acquired a 50% share in Murphy Pipe and Civil Group Pty Ltd in March 2011 for consideration of £16.1m. Goodwill of £14.8m was created in Murphy Pipe and Civil Group Pty Ltd balance sheet as part of the acquisition. The goodwill of £14.8m was fully amortised in 2015.

A joint venture is an entity in which the Group holds an interest on a long-term basis and is jointly controlled by the Group and one or more other ventures under a contractual arrangement, and carries on a trade or business of its own. The Group applies equity accounting to its joint ventures. The Group brings the investment in the joint venture into its financial statements initially at cost, identifying any goodwill arising. The carrying amount of the investment is adjusted in each period by the Group's share of the results of its joint venture. The Group's share of its joint venture's results is recognised in its profit and loss account. The Group's cash flow statement includes the cash flows between the Group and its joint venture.

Stock including property for development

Stock and work in progress are stated at the lower of cost and estimated selling price less costs to sell. Cost is determined on the first-in, first-out (FIFO) method. Stock is recognised as an expense in the year in which the related revenue is recognised.

The value of stock is after taking account for obsolete and slow-moving stock. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

At the end of each reporting period stock is assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the Consolidated profit and loss account. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the Consolidated profit and loss account.

Cash and cash equivalents

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

Employee benefits

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

(a) Defined Benefit scheme

A Defined Benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A Defined Benefit plan is a pension plan that is not a Defined Contribution plan.

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

Contributions to the Group's Defined Benefit pension scheme are charged to the Consolidated profit and loss account so as to spread the cost of pensions over employees' working lives with the Group.

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

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

1 Accounting policies (continued)

(a) Defined Benefit scheme (continued)

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to Other Comprehensive Income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as "Remeasurement of net Defined Benefit liability".

(b) Defined Contribution schemes

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

(c) Short term benefits

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

Financial instruments

(a) Trade debtors and other receivables

Trade debtors and other receivables are stated initially at fair value and subsequently measured at their amortised cost less impairment losses. A provision for impairment of trade debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms with the trade debtor. Any changes in fair value are recognised in the Consolidated profit and loss account.

(b) Amounts recoverable on contracts

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

(c) Trade creditors and other payables

Trade creditors and other payables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Any changes in fair value are recognised in the Consolidated profit or loss account.

Share capital

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

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

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

1 Accounting policies (continued)

Revenue recognition

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

Turnover from long term contractual arrangements is recognised on an individual contract basis based on the level of work performed, as estimated by the percentage of costs incurred against total forecast cost, taking into account expected contract profitability. This method relies on estimates of total expected contract turnover and costs, as well as reliable measurement of the progress made towards completion. Claims are included in contract turnover only when negotiations have reached an advanced stage such that it is probable that the client would accept the item.

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. Where the outcome of a contract cannot be estimated reliably, revenue is only recognised to the extent that it is probable that it will be recoverable. Profit is only recognised on a construction contract when the final outcome can be assessed with reasonable certainty.

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

Other operating income

Other operating income includes rental income in respect of leasing property during the year.

Operating leases

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

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Consolidated profit and loss account, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity. In this case tax is also recognised in Other Comprehensive Income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(a) Current tax

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

(b) Deferred tax

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

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

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

1 Accounting policies (continued)

Finance leases assets

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

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

Foreign currency

The Group financial statements are presented in pounds sterling.

All transactions denominated in a foreign currency have been translated into sterling at the exchange rate in operation at the date on which the transactions occurred. Monetary assets and liabilities denominated in a foreign currency have been translated at the rate ruling at 31 December 2016.

Related party transactions

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

2 Critical accounting judgements and estimation uncertainty

In the preparation of the consolidated financial statements management makes certain judgements and estimates that impact the financial statements. While these judgements are continually reviewed the facts and circumstances underlying these judgements may change resulting in a change to the estimates that could impact the results of the Group.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition

The Group assesses the most likely outcome of each contract based on a number of factors including technical and contractual requirements, progress to date, and previous experience of similar projects, form of contract and of working with that particular client and/or supply chain. The outcome, and therefore appropriate level of revenue to be recognised is therefore subject to a significant number of inter-related factors.

The Group's size and diverse spread of projects, together with a prudent assessment of the final value of each contract, minimises the potential for any one project to materially impact the overall business performance.

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

The Group makes an estimate of the recoverable value of trade debtors, amounts recoverable on contracts and other receivables (see note 15). When assessing impairment of trade debtors, amounts recoverable on contracts and other receivables, management considers factors including the current credit rating of the trade debtors, the ageing profile of the trade debtors and historical experience. Allowance for doubtful debt and provisions against amounts recoverable on contracts and other receivables are made on a specific basis, based on estimates of irrecoverability determined by market knowledge and past experience.

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

2 Critical accounting judgements and estimation uncertainty (continued)

(c) Defined Benefit scheme

The Group has disclosed in note 9 the assumptions used in calculating the Defined Benefit pension scheme obligations. In the calculation a number of assumptions around future salary increases, increase in pension benefits, mortality rates, inflation and discount rates have been made.

(d) Investment properties

The fair value of investment properties is based on a valuation by Jones Lang LaSalle, who have performed their valuation in accordance with the RICS Valuation - Professional Standards and FRS 102. There are significant judgements and estimates involved in valuing such properties including current market yields, estimated rental values, capital expenditure requirements, void costs and tenant incentives.

(e) Carrying value of property for development

Inventories of property for development is stated in the balance sheet at the lower of cost and net realisable value. Due to the nature of development activity and, in particular, the length of the development cycle, the Company has to allocate site-wide development costs between completed units and those for future years. It also has to make estimates of the cost to complete such developments. These estimates are reflected in the margin recognised on developments in relation to sales recognised in the current and future years and the carrying value of the land and work-in-progress. There is a degree of inherent uncertainty in making such estimates.

(f) Plant and machinery

Plant and machinery included within tangible assets has a significant carrying value (see note 11). The majority of plant and machinery is depreciated on a straight-line basis to a residual value. The useful lives of tangible assets are reviewed regularly in light of technological change, prospective utilisation and the physical condition of the assets.

3 Turnover

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

	2016 £	Restated 2015 £
United Kingdom and Ireland	588,282,717	620,903,573
Rest of the World	25,642,072	8,153,460
	613,924,789	629,057,033

In 2015 the turnover in the United Kingdom and Ireland as well as Other direct costs included in cost of sales have been restated by £18,485,122 to more properly reflect cost recharges within the Group. There is no net impact on Group operating profit.

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

4 Cost of sales

	2016 £	Restated 2015 £
Raw materials	95,136,226	94,240,466
Other direct costs	208,565,394	276,422,274
Staff costs (Note 6)	250,675,473	221,425,452
Depreciation of tangible assets	11,747,159	11,408,188
Other operating charges	37,002,632	26,997,356
	603,126,884	630,493,736

Refer to Note 3 for details of the restatement of Other direct costs in 2015.

5 Group operating profit

	2016 £	2015 £
This is stated after charging / (crediting):		
Staff costs (Note 6)	250,675,473	221,425,452
Depreciation of tangible assets	11,747,159	11,408,188
Profit on disposal of tangible fixed assets	(1,498,051)	(1,424,201)
Impairment of trade debtors	(2,269,586)	3,584,296
Operating lease charges	2,770,180	2,761,315
Auditors' remuneration		
– audit of Company and Group financial statements	265,500	217,800
– audit of subsidiaries	45,000	40,000
– other non-audit services: other assurance services	28,300	90,600
– taxation services	138,829	135,896

6 Employee information

	2016 £	2015 £
Wages and salaries	228,272,642	199,741,115
Social security costs	17,249,138	17,153,077
Other pension costs	5,153,693	4,531,260
	250,675,473	221,425,452

The monthly average number of employees, including directors, during the year was as follows:	2016 Number	2015 Number
Management	79	104
Production	1,810	2,119
Administration	2,283	1,549
	4,172	3,772

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

7 Directors' remuneration

	2016	2015
	£	£
Directors' remuneration		
Managerial remuneration	2,439,710	2,048,708
Pension contributions	141,930	195,904
Benefits in kind	53,914	34,716
	2,635,554	2,279,328

The above amounts include £474,492 (2015: £670,000) paid by the Company to the directors of Drilton Limited.

	2016	2015
	£	£
Highest paid director		
Aggregate emoluments	1,130,545	474,971
Pension contributions	36,447	71,250
	1,166,992	546,221

There are nine (2015: seven) directors to whom post-employment benefits are accruing. For the highest paid director, there was no exercise of any share options and no participation in a Defined Benefit pension scheme.

In aggregate £96,950 (2015: £400,000) was paid during the year for compensation for loss of office.

Key management compensation

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

	2016	2015
	£	£
Salaries and other short-term benefits	5,376,529	3,156,990
Post-employment benefits	607,295	322,282
	5,983,824	3,479,272

8 Net interest receivable

	2016	2015
	£	£
Net Defined Benefit pension income (Note 9)	25,000	72,000
Other interest receivable	457,637	639,392
Bank and other interest payable	(8,036)	(70)
Interest on finance leases	(34,244)	-
	440,357	711,322

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

9 Post-employment benefits

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

	2016	2015
	£	£
Defined Contribution schemes	5,153,693	4,531,260

Defined Contribution schemes

The Group operates three Defined Contribution schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £5,153,693 (2015: £4,531,260). Contributions totalling £586,873 (2015: £484,958) were payable after the year end and are included in creditors.

Defined Benefit scheme

The Company sponsors the J. Murphy Group Pension Plan which is an occupational pension scheme containing a funded Defined Benefit section. The Defined Benefit section of the Plan closed to future accrual with effect from 31 December 2012. The Company paid deficit recovery contributions of £1,500,000 in the 12 month period ended 31 May 2016 and will pay £1,500,000 in each year up to 31 May 2024 inclusive, in respect of the deficit. No member contributions were payable after 31 December 2012.

Actuarial assumptions

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

	2016	2015	2014
Retail Price Index	3.60%	3.10%	3.10%
Rate of discount	2.70%	3.70%	3.40%
Allowance for pension in payment increases of RPI or 5% pa if less	3.60%	3.10%	3.10%
Allowance for revaluation rate for deferred pensions of CPI or 5% if less	2.70%	2.20%	2.20%
Allowance for commutation of pension requirement	50%	50%	50%

The mortality assumptions adopted at 31 December 2016 imply the following life expectancies.

	2016	2015
Male retiring at age 65	22.2	22.1
Female retiring at age 65	24.2	24.1
Male retiring at age 65 in 20 years	23.9	23.8
Female retiring at age 65 in 20 years	26.1	26.0

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

9 Post-employment benefits (continued)

Defined Benefit liability

The assets in the scheme were:

	Value at 31 December 2016 £'000	Value at 31 December 2015 £'000	Value at 31 December 2014 £'000
Corporate bonds	10,258	8,856	7,541
Cash and other assets	154	4	274
Buy-in policies	30,982	29,158	31,549
Diversified growth	44,667	46,933	48,481
Total market value of assets	86,061	84,951	87,845
Present value of scheme liabilities	(102,238)	(84,998)	(91,893)
Pension liability	(16,177)	(47)	(4,048)

Reconciliation of scheme assets and liabilities

	Assets £'000	Liabilities £'000	Total 2016 £'000	Total 2015 £'000
At 1 January	84,951	(84,998)	(47)	(4,048)
Expenses	-	(1)	(1)	(110)
Interest income	3,096	-	3,096	2,960
Interest expenses	-	(3,070)	(3,070)	(2,778)
Actuarial gains / (losses)	1,136	(18,791)	(17,655)	2,429
Employer contributions	1,500	-	1,500	1,500
Benefits paid	(4,622)	4,622	-	-
At 31 December	86,061	(102,238)	(16,177)	(47)

Total income recognised in the Consolidated profit and loss account

	2016 £'000	2015 £'000
Analysis of amount (charged) / credited to profit or loss are as follows:		
Expenses	(1)	(110)
Interest income	3,096	2,960
Interest expense	(3,070)	(2,778)
Net income	25	72

The Company expects to contribute £1,500,000 to its Defined Benefit pension scheme in 2017.

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

9 Post-employment benefits (continued)

Actuarial (loss) / gain recognised in the Consolidated Statement of Comprehensive Income

	2016	2015
	£'000	£'000
Return on pension scheme assets	1,136	(2,965)
Experience gains and losses arising on the plan benefit scheme liabilities	2,654	(485)
Changes in assumption underlying present value of the plan benefit scheme liabilities	(21,445)	5,879
Actuarial (loss) / gain recognised in the Consolidated statement of comprehensive income	(17,655)	2,429

The cumulative amount of actuarial gains and losses recognised in the Consolidated statement of comprehensive income was a loss of £39,687,000 (2015: loss of £25,062,000).

10 Tax on profit

Tax expense included in the Consolidated profit and loss account

	2016	2015
	£	£
Current tax:		
UK corporation tax at 20% (2015: 20.25%)		
- current year	2,731,261	1,056,827
- adjustments in respect of previous periods	(365,181)	(1,449,938)
Total current tax	2,366,080	(393,111)
Deferred tax:		
Accelerated capital allowances and other timing differences	2,923,117	460,406
Changes in tax laws and rates	(502,840)	(80,374)
Adjustments in respect of previous periods	524,002	1,292,551
Total deferred tax	2,944,279	1,672,583
Tax expense on profit	5,310,359	1,279,472

Tax (credit) / expense included in the Consolidated Statement of Comprehensive Income

Deferred tax:		
Origination and reversal of timing differences	(3,030,160)	518,180
Total tax (credit) / expense included in the Consolidated statement of comprehensive income	(3,030,160)	518,180

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

10 Tax on profit (continued)

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	2016	2015
	£	£
Profit before taxation	23,299,981	13,804,664
Share of loss / (profit) in joint venture, post taxation	3,109,081	(3,751,489)
Profit before taxation excluding share of profit in joint venture	26,409,062	10,053,175
Profit before taxation excluding share of loss / (profit) in joint venture multiplied by standard rate in the UK 20% (2015: 20.25%)	5,281,812	2,035,768
Effects of:		
Expenses not deductible for tax purposes	502,357	202,098
Income not taxable for tax purposes	-	(47,219)
Movement on revalued properties	(139,429)	(193,310)
Changes in tax rates	(477,892)	(80,374)
Deferred tax previously not recognised	-	(232,659)
Deferred tax not recognised	2,512	29,554
Adjustments in respect of previous periods	158,821	(157,387)
Difference in rate of tax overseas	(17,822)	(276,999)
Tax expense for the year	5,310,359	1,279,472

Factors affecting future tax charges

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

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

11 Tangible assets

Group	Investment properties £	Land and buildings £	Plant and machinery £	Motor vehicles £	Computer and other equipment £	Total £
At 1 January 2016						
Cost / Valuation	61,090,209	17,523,644	68,074,250	31,353,268	7,903,178	185,944,549
Accumulated depreciation and impairment	-	(2,475,073)	(50,368,003)	(24,022,770)	(6,290,622)	(83,156,468)
Net book amount	61,090,209	15,048,571	17,706,247	7,330,498	1,612,556	102,788,081
Year ended 31 December 2016						
Opening net book amount	61,090,209	15,048,571	17,706,247	7,330,498	1,612,556	102,788,081
Exchange difference	-	534,122	418,045	76,185	18,969	1,047,321
Additions	-	3,295,187	10,064,055	6,161,844	2,354,757	21,875,843
Disposals	-	-	(1,760,440)	(796,193)	(531,966)	(3,088,599)
Revaluation	10,600,340	-	-	-	-	10,600,340
Depreciation	-	(314,087)	(6,188,718)	(3,497,540)	(1,746,814)	(11,747,159)
Closing net book amount	71,690,549	18,563,793	20,239,189	9,274,794	1,707,502	121,475,827
At 31 December 2016						
Cost / Valuation	71,690,549	21,150,162	72,477,088	31,254,839	9,653,423	206,226,061
Accumulated depreciation and impairment	-	(2,586,369)	(52,237,899)	(21,980,045)	(7,945,921)	(84,750,234)
Net book amount	71,690,549	18,563,793	20,239,189	9,274,794	1,707,502	121,475,827

The historical cost of investment properties is £24,688,226 (2015: £24,688,226).

The 2016 valuations were prepared by external valuers Jones Lang LaSalle, who are members of the Royal Institute of Chartered Surveyors, on the basis of open market value.

The Group does not own any leasehold land and buildings.

The net carrying amount of assets held under finance leases included in plant and machinery and motor vehicles is £9,691,369 (2015: £Nil).

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

11 Tangible assets (continued)

Company	Investment properties £	Land and buildings £	Plant and machinery £	Motor vehicles £	Computer and other equipment £	Total £
At 1 January 2016						
Cost / Valuation	60,900,209	13,702,909	53,382,835	29,953,078	7,320,295	165,259,326
Accumulated depreciation and impairment	-	(1,645,571)	(41,628,784)	(23,023,823)	(5,816,219)	(72,114,397)
Net book amount	60,900,209	12,057,338	11,754,051	6,929,255	1,504,076	93,144,929
Year ended 31 December 2016						
Opening net book amount	60,900,209	12,057,338	11,754,051	6,929,255	1,504,076	93,144,929
Additions	-	3,295,187	6,821,607	5,864,756	2,311,306	18,292,856
Disposals	-	-	(1,025,114)	(777,044)	(531,966)	(2,334,124)
Revaluation	10,600,340	-	-	-	-	10,600,340
Depreciation	-	(234,708)	(4,905,534)	(3,307,321)	(1,691,774)	(10,139,337)
Closing net book amount	71,500,549	15,117,817	12,645,010	8,709,646	1,591,642	109,564,664
At 31 December 2016						
Cost / Valuation	71,500,549	16,998,096	54,614,611	29,543,332	9,408,901	182,065,489
Accumulated depreciation and impairment	-	(1,880,279)	(41,969,601)	(20,833,686)	(7,817,259)	(72,500,825)
Net book amount	71,500,549	15,117,817	12,645,010	8,709,646	1,591,642	109,564,664

The historical cost of investment properties is £24,688,226 (2015: £24,688,226).

The 2016 valuations were prepared by external valuers Jones Lang LaSalle, who are members of the Royal Institute of Chartered Surveyors, on the basis of open market value.

The Company does not own any leasehold land and buildings.

The net carrying amount of assets held under finance leases included in plant and machinery and motor vehicles is £8,447,236 (2015: £Nil).

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

12 Investments in joint venture

The Group has a 50% interest in the following joint venture entity:

	Activities	Country of incorporation	Percentage of ordinary shares held by Group
Murphy Pipe and Civil Group Pty Ltd	Construction	Australia	50%

Group	£
Share of net assets at 1 January 2016	30,926,099
Share of loss for the year	(3,109,081)
Currency translation difference	8,201,598
Dividends	(880,902)
Share of net assets at 31 December 2016	35,137,714

Additional disclosures are given in respect of the Group's share of the joint venture, as follows:

	Murphy Pipe and Civil Group Pty £
Turnover	54,704,876
Operating profit (after goodwill amortisation of £Nil (2015: £2,923,978))	4,789,316
Interest payable	(149,563)
Profit before taxation	4,639,753
Tax on profit on ordinary activities	(1,446,508)
Profit after taxation	3,193,245
Loss from discontinued operations	(6,302,326)
Loss for the year	(3,109,081)
Fixed assets	15,014,975
Non-current assets	2,307,963
Current assets	32,299,448
Current liabilities	(13,858,351)
Non-current liabilities	(626,321)
Net assets	35,137,714

The directors believe that the carrying value of the investment is supported by its underlying net assets.

The joint venture has capital commitments of £1,149,245 at 31 December 2016 (2015: £2,130,115). The Group has a 50% share of these commitments.

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

13 Investments

Company	Investment in joint ventures £	Investment in subsidiaries £	Total £
Cost and net book value			
At 1 January 2016	16,160,493	2,090,313	18,250,806
Adjustment to value	-	12	12
At 31 December 2016	16,160,493	2,090,325	18,250,818

Investment in subsidiaries

The Company has the following wholly owned subsidiary companies:

Company	Percentage of ordinary shares	Country of incorporation	Activities	Registered address
Murphy Plant Limited (previously J. Murphy & Sons (Contractors) Limited)	100%	England	Dormant company	Hiview House, Highgate Road, London, NW5 1TN
Murphy Pipelines Limited	100%	England	Construction	Hiview House, Highgate Road, London, NW5 1TN
Murphy Homes Limited	100%	England	Construction	Hiview House, Highgate Road, London, NW5 1TN
Rocklift Limited	100%	Scotland	Dormant company	C Riverview House, Friarton Road, Perth, PH2 8DF
Rock Homes Limited	100%	Scotland	Dormant company	C Riverview House, Friarton Road, Perth, PH2 8DF
McCann Drilling Limited	80%	Northern Ireland	Dormant company	26 Crossmaglen Road, Newry, BT35 9UB
Murphy International Limited	100%	Republic of Ireland	Construction	Great Connell, Newbridge, Co Kildare
J.M. Piling Co. Limited	100%	England	Construction	Hiview House, Highgate Road, London, NW5 1TN
Murphy Environmental Systems Limited	100%	England	Dormant company	Hiview House, Highgate Road, London, NW5 1TN
Murphy Aggregates Limited	100%	England	Dormant company	Hiview House, Highgate Road, London, NW5 1TN
John Toole & Sons (Cable Contractors) Limited	100%	Scotland	Dormant company	C Riverview House, Friarton Road, Perth, PH2 8DF
Pipeline Testing Services Limited	100%	England	Dormant company	Hiview House, Highgate Road, London, NW5 1TN

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

13 Investments (continued)

	Percentage of ordinary shares held by Group	Country of incorporation	Activities	Registered address
Pre-Mixed Concrete (Midlands) Limited	100%	England	Dormant company	Hiview House, Highgate Road, London, NW5 1TN
Land and Marine Engineering Limited	100%	England	Engineering	Hiview House, Highgate Road, London, NW5 1TN
J Murphy & Sons (Delancey Street) Limited	100%	England	Construction	Hiview House, Highgate Road, London, NW5 1TN
Delancey Commercial Limited	100%	England	Real estate	Hiview House, Highgate Road, London, NW5 1TN
Delancey Residential Limited	100%	England	Real estate	Hiview House, Highgate Road, London, NW5 1TN
Land and Marine Australia Pty Ltd	100%	Australia	Engineering	15 Green Square Close, Brisbane QLD 4006
Murphy Group Canada Limited	100%	Canada	Construction	400 3rd Avenue Calgary Alberta T2P 4H2
Murphy Pipe and Civil Group Pty Ltd	50%	Australia	Construction	60 Kingsford Smith Drive, Albion QLD 4010
Murphy Plant Hire Limited	100%	Republic of Ireland	Construction	Great Connell, Newbridge, Co Kildare

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

14 Stocks

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Raw materials and consumables	1,771,332	2,111,599	1,667,168	1,963,884
Finished goods	250,644	213,842	-	-
Property for development	18,342,958	14,939,207	1,210,182	3,246,731
	20,364,934	17,264,648	2,877,350	5,210,615

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

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

15 Debtors

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Amount falling due within one year				
Trade debtors	59,154,711	69,842,507	47,356,255	51,827,027
Amounts owed by group undertakings	-	-	24,668,048	31,867,230
Amounts owed by parent company	1,318,728	643,817	1,318,728	643,817
Amounts owed by related parties	787,540	1,501,718	15,092	1,585,063
Amounts recoverable on contracts	112,618,142	93,635,239	106,923,572	87,142,076
Deferred tax asset (Note 18)	387,842	456,362	-	-
Corporation tax	2,178,664	1,624,287	2,441,631	3,077,013
Other debtors	8,969,581	15,038,723	7,047,068	11,791,402
Prepayments and accrued income	1,462,844	505,635	613,583	225,130
	186,878,052	183,248,288	190,383,977	188,158,758
Amount falling due after more than one year				
Amounts owed by related parties	5,466,349	-	-	-
Total debtors	192,344,401	183,248,288	190,383,977	188,158,758

Trade debtors for the Group are stated after provision for impairment of £232,195 (2015: £3,970,406).

16 Creditors: amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade creditors	104,685,119	115,361,138	93,832,185	110,025,036
Amounts owed to group undertakings	-	-	11,724,458	10,656,689
Amounts owed to related parties	6,921,960	-	-	-
Finance leases (Note 17)	2,712,145	-	2,437,229	-
Deferred tax liability (Note 18)	-	-	518,120	313,816
Other taxation and social security	20,489,733	19,397,500	18,957,178	19,070,412
Other creditors	7,781,619	12,437,145	6,797,051	10,789,551
Payments received on account and amounts accrued on contracts	33,509,788	37,908,158	31,466,619	37,417,242
Accruals and deferred income	52,624,396	26,593,943	46,167,999	25,543,556
	228,724,760	211,697,884	211,900,839	213,816,302

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

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Finance leases	7,206,664	-	6,322,495	-

Finance leases

The future minimum finance lease payments are as follows:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Not later than one year	2,887,982	-	2,569,418	-
Later than one year and not later than five years	7,662,167	-	6,713,264	-
Total gross payments	10,550,149	-	9,282,682	-
Less: finance charges	(631,340)	-	(522,958)	-
Carrying amount of liability	9,918,809	-	8,759,724	-

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

18 Provision for liabilities and charges

Group	£
Deferred tax asset	
At 1 January 2016	456,362
Deferred tax charged in Consolidated profit and loss account	(2,420,277)
Adjustments in respect of previous years	(524,002)
Exchange differences	145,599
Deferred tax credited in the Consolidated statement of comprehensive income	2,730,160
At 31 December 2016	387,842

Group	2016 £	2015 £
Tax effect of timing differences because of:		
Fixed assets timing differences	(3,448,777)	(2,550,518)
Short term timing differences	(266,142)	145,019
Losses	1,352,671	2,853,401
Deferred tax excluding that relating to pension deficit	(2,362,248)	447,902
Deferred tax relating to pension deficit	2,750,090	8,460
Total net deferred tax asset	387,842	456,362

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

18 Provision for liabilities and charges (continued)

Company	£
Deferred tax liability	
At 1 January 2016	(313,816)
Deferred tax charged in profit and loss account	(2,522,386)
Adjustment in respect of prior years	(412,078)
Deferred tax credited in the Consolidated statement of comprehensive income	2,730,160
At 31 December 2016	(518,120)

Company	2016 £	2015 £
Tax effect of timing differences because of:		
Fixed assets timing differences	(3,351,684)	(2,618,232)
Short term timing differences	83,474	45,085
Losses	-	2,250,871
Deferred tax excluding that relating to pension deficit	(3,268,210)	(322,276)
Deferred tax relating to pension deficit	2,750,090	8,460
Total net deferred tax liability	(518,120)	(313,816)

19 Financial assets and liabilities

Group

The Group has the following financial assets:

	Note	2016 £	2015 £
Financial assets that are debt instruments measured at amortised cost:			
- Trade debtors	15	59,154,711	69,842,507
- Amounts owed by parent company	15	1,318,728	643,817
- Amounts owed by related parties	15	787,540	1,501,718
- Amount recoverable on contracts	15	112,618,142	93,635,239
- Other debtors	15	8,969,581	15,038,723
		182,848,702	180,662,004

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

19 Financial assets and liabilities (continued)

The Group has the following financial liabilities:

	Note	2016 £	2015 £
Financial liabilities measured at amortised cost:			
- Trade creditors	16	104,685,119	115,361,138
- Amounts owed by related parties	16	6,921,960	-
- Other taxation and social security	16	20,489,733	19,397,500
- Other creditors	16	7,781,619	12,437,145
- Accruals and deferred income	16	52,624,396	26,593,943
		192,502,827	173,789,726

Company

The Company has the following financial assets:

	Note	2016 £	2015 £
Financial assets that are debt instruments measured at amortised cost:			
- Trade debtors	15	47,356,255	51,827,027
- Amounts owed by group undertakings	15	24,668,048	31,867,230
- Amounts owed by parent company	15	1,318,728	643,817
- Amounts owed by related parties	15	15,092	1,585,063
- Amount recoverable on contracts	15	106,923,572	87,142,076
- Other debtors	15	7,047,068	11,791,402
		187,328,763	184,856,615

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

19 Financial assets and liabilities (continued)

Company

The Company has the following financial liabilities:

	Note	2016 £	2015 £
Financial liabilities measured at amortised cost:			
- Trade creditors	16	93,832,185	110,025,036
- Amounts owed to group undertakings	16	11,724,458	10,656,689
- Other taxation and social security	16	18,957,178	19,070,412
- Other creditors	16	6,797,051	10,789,551
- Accruals and deferred income	16	46,167,999	25,543,556
		177,478,871	176,085,244

20 Called up share capital

	2016 £	2015 £
Allotted, called up and fully paid		
300,000 (2015: 300,000) Ordinary shares of £1 each	300,000	300,000
1,950,000 (2015: 1,950,000) 1% Non-cumulative preference shares of £1 each	1,950,000	1,950,000
487,500 (2015: 487,500) 1% Non-cumulative second preference shares of 10 pence each	48,750	48,750
2,437,500 (2015: 2,437,500) 'A' Ordinary shares of 10 pence each	243,750	243,750
	2,542,500	2,542,500

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

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

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

21 Reserves

	Group Profit and loss account £	Company Profit and loss account £
At 1 January 2016	204,908,911	169,979,374
Profit for the financial year	17,989,622	22,875,119
Actuarial loss on pension scheme	(17,655,000)	(17,655,000)
Movement on deferred tax relating to actuarial loss on pension scheme	3,030,160	3,030,160
Currency translation difference	10,404,413	-
Dividends	(7,000,000)	(7,000,000)
At 31 December 2016	211,678,106	171,229,653

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account. The profit for the year dealt with in the financial statements of the Company was £22,875,119 (2015: £6,647,386).

22 Dividends

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Equity – ordinary				
Dividend paid	7,000,000	5,123,929	7,000,000	5,123,929

In March 2017, the Group and company paid a final dividend of £2,500,000.

23 Net cash generated from operating activities

	2016 £	2015 £
Group profit for the financial year	17,989,622	12,525,192
Adjustments for:		
Tax on profit	5,310,359	1,279,472
Net interest receivable	(440,357)	(711,322)
Surplus on revaluation of investment properties	(10,600,340)	(6,829,298)
Share of profit of joint venture, post tax	3,109,081	(3,751,489)
Group operating profit	15,368,365	2,512,555
Depreciation of tangible fixed assets	11,747,159	11,408,188
Profit on disposal of tangible fixed assets	(1,498,051)	(1,424,199)
Post-employment benefits cash contributions	(1,500,000)	(1,500,000)
Exchange differences on translation of foreign operations	1,155,495	(241,131)
Working capital movements:		
(Increase) / decrease in stocks	(3,100,286)	1,083,029
Increase in trade debtors and other receivables	(8,610,256)	(14,735,206)
Increase in trade creditors and other payables	14,314,731	29,475,751
Cash flow generated from operating activities	27,877,157	26,578,987

Balance of cash at bank includes restricted cash of £2,975,000 (2015: £2,975,000) (see note 24) as well as restricted cash of £Nil (2015: £7,405,223) relating to joint operations.

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

24 Contingent liabilities

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

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

In order to cover contingent liabilities under insurance arrangements, the Company has placed £2,975,000 (2015: £2,975,000) in separate bank accounts with the Company's bankers. In the event of the Company's insolvency the funds will be used to meet insurance claims.

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

25 Capital commitments

	2016	2015
	£	£
At 31 December the Group had capital commitments as follows:		
Contracted for but not provided	5,743,294	1,449,680

26 Operating lease commitments

	2016	2015
	£	£
At 31 December the Group had the following commitments under operating leases:		
Within one year	2,724,170	4,047,815
Between two and five years	9,144,548	11,629,596
After more than five years	8,533,513	11,964,149
	20,402,231	27,641,560

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2016

27 Related party transactions

Group

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

	Share	2016 Turnover (£)	2015 Turnover (£)
EAN	16.20%	4,041,611	13,621,872
West One	33.33%	376,063	2,889,120
Crossrail	50.00%	581	14,787,062
Optimise	36.00%	16,357,635	39,278,895
KMI Water	33.33%	295,613	-
KMI Plus	30.83%	5,501,661	19,887,895
AMK	33.33%	18,296,195	15,154,137
Agility	50.00%	35,498,069	22,047,766
Irish Water Metering	80.00%	17,123,028	18,236,104
Total		97,490,456	145,902,851

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

The amounts owed by and to the related companies at 31 December 2016 are shown in notes 15 and 16.

During the year, rents of £1,921,484 (2015: £1,836,258) were charged in respect of property owned by the Folgate Holdings Limited Group. Property development work of £1,878,755 (2015: £3,510,997) was carried out on that Group's properties by this Group. Management charges of £372,039 (2015: £325,475) and charges for other services of £150,462 (2015: £Nil) were accrued to that Group.

The Group also made purchases of £Nil (2015: £52,713) from PP O'Connor Ltd, which is an associated company due to the spouse of a director of the Group being on the board of PP O'Connor Ltd.

Key management compensation

See note 7 for disclosure of the key management compensation.

Company

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

28 Controlling party

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

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

Drilton Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2016. The consolidated financial statements of Drilton Limited are available from Hiview House, Highgate Road, London NW5 1TN.