

J. Murphy & Sons Limited
Annual report and financial statements
for the year ended 31 December 2018

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J. Murphy & Sons Limited

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J. Murphy & Sons Limited

Directors and advisers

Directors

Alastair Kerr
John Murphy
David Burke
Peter Anderson
David Huw Davies
Stephen Hollingshead
Deborah Lodge
Clare Mara
James Murphy
Dr Karina Murphy
Kathleen Murphy
Michael Toms

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

Lloyds Bank plc
25 Gresham Street
London
EC2V 7HN

Independent auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

J. Murphy & Sons Limited

Strategic report for the year ended 31 December 2018

The directors present their strategic report of the Group and parent company for the year ended 31 December 2018.

Principal activities

Murphy's ("the Group") primary business is delivering 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 core infrastructure sectors in which the business operates include water, rail, construction & property, power and natural resources. Murphy also delivers selective property development projects.

Business review

Total Group revenue, including the jointly contracted entities, increased in the year to £779.5m (2017: £748.6m) due to an overall rise in activity across the business. Additionally, the performance of the Canadian jointly controlled operation venture greatly improved in the year, returning positive cash for the Group.

Despite this, the Group reported a loss before taxation of £12.9m (2017 profit of: £12.4m), reflecting the challenging construction market conditions of 2018. Some difficult power projects in the UK also contributed, which have now been worked through and are adequately provisioned. Alongside these challenges, the Group has continued its positive growth intent by investing in our capability at production and functional level – including a significant transformation to improve finance systems and processes – as well as ongoing investment in the plant fleet.

Following a review of the presentation and disclosure requirements of FRS 102 and the Companies Act 2006, the directors have concluded that a restatement is required in respect of the prior year. The details of this restatement are included in Note 1.

The Group's investment property portfolio continued to deliver valuation uplifts in 2018 in the region of 14.4% (2017: 15.6%).

2018 also saw the business generate positive cashflow, continuing to be a net cash business and ending the year with cash reserves of £63.3m (2017: £61.9m). The Group also entered into a rolling working capital credit facility of £30m with Lloyds Bank plc in August 2018. This was in order to ensure the Group can meet its working capital requirements. The credit facility was renewed in June 2019.

In line with the Group's targeted growth and acquisition strategy, Carillion's UK power business was acquired in February 2018. Murphy replaced Carillion as the joint venture partner with Eltel to deliver a vital high voltage overhead line project for National Grid, part of a connection that enables a new subsea interconnector to connect to the network.

The Group continues to win new work and in early 2019, secured a £40m contract to construct underground cables for Hinckley Point power station as well as securing a place on the Network Rail CP6 framework, with a potential value up to £460m.

It was with great sadness that the company announced the passing of Bernard Murphy on Sunday 31st March. Bernard was a director of the Group, the son of our founder, John Murphy, and the father of current CEO John Murphy.

Future development and outlook

The Group is making progress against its long term growth strategy, to maintain and improve turnover and net assets with sustainable long term growth. Murphy's order book is over £1bn and has continued to increase in 2019.

The Group is focused on pursuing the right opportunities in its main sectors which use its core skills and expertise, providing the opportunity to earn a fair return that contributes to sustainable growth. The Group strategy is focused on building scale, developing its resilience through operating in chosen markets and building on core competencies of the Group. It will continue to take a disciplined approach to maintain a strong balance sheet that will underpin organic growth.

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

J. Murphy & Sons Limited

Strategic report for the year ended 31 December 2018 (continued)

Key performance indicators

Total Group revenue including Joint Ventures amounted to £779.5m (2017: £748.6m)

The net cash balance of the Group was £63.3m (2017: £61.9m).

The Group loss before taxation amounted to £12.9m (2017: profit before taxation of £12.4m).

The net assets of the Group amounted to £204.4m (2017: £218.5m).

The net assets of the Company amounted to £185.0m (2017: £199.0m).

Principal risks and uncertainties

Murphy manages its financial risks, primarily cashflow, through its banking facilities and bonding arrangements. It has no bank debt on its Balance Sheet at year end, and continues to use finance leases to fund plant and equipment renewals which it considers to be a more effective use of capital.

Principal construction risks and business risk management are managed through the company's operating structure, and operating and commercial reviews held with senior management. This process is under ongoing review and improvement, under the oversight of the independent risk and audit committee.

The company directors recognise the competitive nature of tendering in the sector, 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 from our clients, but this is mitigated through regular credit checks and updates before working with clients.

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

The UK's decision to exit from the EU ("Brexit") has created significant macro-economic uncertainty. However the impact of Brexit on the business, both in the UK and Ireland, is not of significant concern to the directors. The infrastructure works being provided for our clients are essential for the functioning of our country, economy and society, and in the opinion of the directors are unlikely to be affected by politics or spending resulting from Brexit. However, the board still want to see an outcome that does not adversely affect access to the necessary skills, resources or suppliers that the business relies on.

This report was approved by the board on 3 September 2019 and signed on its behalf.



D Burke
Director

J. Murphy & Sons Limited

Directors' report for the year ended 31 December 2018

The directors present their report and the audited financial statements of the Group and Company for the year ended 31 December 2018.

Results and dividends

The loss for the financial year amounted to £12.3m (2017: profit of £11.3m).

During the year, the Group recommended and paid an interim dividend of £4.0m in respect of 2017 (2017: interim 2017 dividend of £2.5m and a final 2016 dividend of £2.5m, recommended and paid in 2017). No dividends were recommended or paid in respect of the year ended 31 December 2018.

Future developments

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

Subsequent Events

On 16 May 2019, the Group signed a CAN\$20m financing facility with Canadian Western Bank.

On 20 June 2019, the Group renewed a £30m working capital credit facility with the Lloyds Banking Group for a further three years.

Directors

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

Alastair Kerr	Chairman	
John Murphy	Chief Executive Officer	
David Burke	Chief Financial Officer	
Peter Anderson	Chief Operating Officer	(appointed 1 January 2018)
David Huw Davies		
Stephen Hollingshead		
Deborah Lodge		
Clare Mara		
Bernard Murphy		(deceased 31 March 2019)
James Murphy		
Dr Karina Murphy		(appointed 30 January 2018)
Kathleen Murphy		
Michael Toms		

Qualifying third party indemnity provisions

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

Employee policies

The Group depends on the skills and commitment of its employees in order to achieve its objectives. Staff at every level are encouraged and incentivised to 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. Additionally the quarterly Pathway forum, comprising self-nominated employee representatives, are consulted and informed regarding any changes which may affect employees.

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 2018 (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 United Kingdom Accounting Standards and applicable law ("United Kingdom Generally Accepted Accounting Practice"), including Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard Applicable in the UK and Republic of Ireland.

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

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

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

Going concern

The Group continues to meet its day to day working capital requirements. The Group had £63m of cash (of which £61m was unrestricted) at year end. In June 2019, the Group renewed a facility with the Lloyds Banking Group for a further three years to provide up to £30m working capital facility for short term needs providing certain covenants are maintained.

The directors have prepared cashflow forecasts for the period to December 2021, taking into account downside sensitivities, the effect of which could mean that the Lloyds facility is unavailable. Even in these circumstances, the directors have a reasonable expectation that the Group has adequate resources and mitigation strategies to continue to operate within existing resources and covenants. Thus, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

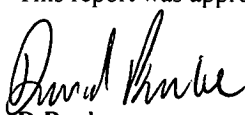
Statement of disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware and having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself / herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Independent auditors

At the next General Meeting, it will be proposed that the auditors, Ernst and Young LLP are re-appointed in accordance with Section 485 of the Companies Act 2006.

This report was approved by the board on 3 September 2019 and signed on its behalf.


D Burke
Director

J. Murphy & Sons Limited

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

Opinion

We have audited the financial statements of J. Murphy & Sons Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Consolidated Profit and Loss account, the Consolidated and Company Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

J. Murphy & Sons Limited

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Bob Forsyth (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP
Statutory Auditor
London

04 SEP 2019

J. Murphy & Sons Limited

Consolidated Profit and Loss account for the year ended 31 December 2018

*Restated

	Note	2018 £'000	2017 £'000
Total revenue		779,475	748,644
Less: share of joint ventures' revenue		(39,654)	(39,793)
Turnover	3	739,821	708,851
Cost of sales		(702,120)	(647,289)
Gross profit		37,701	61,562
Administrative costs		(69,569)	(64,441)
Other operating income		5,216	4,402
Group operating (loss) / profit	4	(26,652)	1,523
Surplus on revaluation of investment properties	12	11,949	11,156
Share of profit / (loss) in joint venture, post-tax	13	2,572	(1,642)
Profit on the sale of joint venture	13	-	2,130
Interest receivable	7	327	178
Interest payable	8	(1,084)	(916)
(Loss) / profit before taxation		(12,888)	12,429
Tax on (loss) / profit	9	579	(1,150)
(Loss) / profit for the financial year	23	(12,309)	11,279
(Loss) / profit attributable to:			
- Owners of the parent		(12,309)	11,279
		(12,309)	11,279

All amounts relate to continuing operations.

*Refer to Note 1

J. Murphy & Sons Limited

Consolidated Statement of Comprehensive Income for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
(Loss) / profit for the financial year	23	(12,309)	11,279
Other Comprehensive (Loss) / Income:			
Remeasurement gain / (loss) recognised in pension scheme	21	2,879	(2,932)
Movement on tax relating to pension deficit	9	(489)	513
Currency translation differences	23	(246)	546
Other Comprehensive Income / (Loss) for the year, net of tax		2,144	(1,873)
Total Comprehensive (Loss) / Income for the year		(10,165)	9,406
Total Comprehensive (Loss) / Income attributable to:			
- Owners of the parent		(10,165)	9,406
- Non-controlling interest		-	-
		(10,165)	9,406

Company Statement of Comprehensive Income for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
(Loss) / profit for the financial year	23	(12,461)	32,671
Other Comprehensive (Loss) / Income:			
Remeasurement gain / (loss) recognised in pension scheme	21	2,879	(2,932)
Movement on tax relating to pension deficit	9	(489)	513
Other Comprehensive Income / (Loss) for the year, net of tax		2,390	(2,419)
Total Comprehensive (Loss) / Income for the year		(10,071)	30,252
Total Comprehensive (Loss) / Income attributable to:			
- Owners of the parent		(10,071)	30,252
- Non-controlling interest		-	-
		(10,071)	30,252


The notes on pages 14 to 50 form part of these financial statements.

J. Murphy & Sons Limited

Consolidated Balance Sheet as at 31 December 2018

	Note	2018 £'000	*Restated 2017 £'000
Fixed assets			
Positive goodwill	10	3,994	4,434
Negative goodwill	10	(450)	-
Net goodwill	10	3,544	4,434
Intangible assets	11	10,553	3,036
Tangible assets	12	170,899	147,621
Investments in joint ventures	13	1,958	-
Total fixed assets		186,954	155,091
Current assets			
Stocks	15	14,060	16,710
Debtors	16	199,300	241,042
Cash at bank and in hand		63,333	61,942
Total current assets		276,693	319,694
Creditors: amounts falling due within one year	17	(221,617)	(224,136)
Net current assets		55,076	95,588
Total assets less current liabilities		242,030	250,649
Creditors: amounts falling after due more than one year	18	(20,314)	(11,807)
Provision for liabilities	19	(2,127)	(2,279)
Post-employment benefits	21	(15,219)	(18,028)
Net assets		204,370	218,535
Capital and reserves			
Called up share capital	22	2,543	2,543
Profit and Loss account	23	201,920	216,085
Total equity attributable to owners of the parent		204,463	218,628
Non-controlling interest		(93)	(93)
Total equity		204,370	218,535

The financial statements on pages 8 to 50 were approved by the board of directors on 3 September 2019 and were signed on its behalf by:


D Burke
 Director

Registered number: 492042

*Refer to Note 1

The notes on pages 14 to 50 form part of these financial statements.

J. Murphy & Sons Limited

Company Balance Sheet as at 31 December 2018

		2018	*Restated 2017
	Note	£'000	£'000
Fixed assets			
Intangible assets	11	9,806	2,952
Tangible assets	12	22,261	105,118
Investments	14	837	2,090
Total fixed assets		32,904	110,160
Current assets			
Stocks	15	2,191	2,397
Debtors	16	314,196	261,731
Cash at bank and in hand		49,600	46,593
Total current assets		365,987	310,721
Creditors: amounts falling due within one year	17	(198,272)	(197,406)
Net current assets		167,715	113,315
Total assets less current liabilities		200,619	223,475
Creditors: amounts falling after more than one year	18	(446)	(697)
Provision for liabilities	19	-	(5,725)
Post-employment benefits	21	(15,219)	(18,028)
Net assets		184,954	199,025
Capital and reserves			
Called up share capital	22	2,543	2,543
Profit and Loss account	23	182,411	196,482
Total equity		184,954	199,025

The directors have taken the exemption provided by Section 408 of the Companies Act 2006 and have not presented a profit and loss account for the Company. The loss for the year of the Company was £12,461,000 (2017: profit of £32,671,000).

The financial statements on pages 8 to 50 were approved by the board of directors on 3 September 2019 and were signed on its behalf by:


D Burke
Director

*Refer to Note 1

The notes on pages 14 to 50 form part of these financial statements.

J. Murphy & Sons Limited

Consolidated Statement of Changes in Equity for the year ended 31 December 2018

	Note	Called up share capital £'000	Profit and Loss account £'000	Total equity attributable to owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
Balance as at 1 January 2017		2,543	211,679	214,222	(93)	214,129
Profit for the financial year		-	11,279	11,279	-	11,279
Other Comprehensive Loss for the year		-	(1,873)	(1,873)	-	(1,873)
Total Comprehensive Income for the year		-	9,406	9,406	-	9,406
Dividends		-	(5,000)	(5,000)	-	(5,000)
Balance as at 31 December 2017		2,543	216,085	218,628	(93)	218,535
Balance as at 1 January 2018		2,543	216,085	218,628	(93)	218,535
Loss for the financial year	23	-	(12,309)	(12,309)	-	(12,309)
Other Comprehensive Income for the year		-	2,144	2,144	-	2,144
Total Comprehensive Loss for the year		-	(10,165)	(10,165)	-	(10,165)
Dividends	24	-	(4,000)	(4,000)	-	(4,000)
Balance as at 31 December 2018		2,543	201,920	204,463	(93)	204,370

Company Statement of Changes in Equity for the year ended 31 December 2018

	Note	Called up share capital £'000	Profit and Loss account £'000	Total equity £'000
Balance as at 1 January 2017		2,543	171,230	173,773
Profit for the financial year		-	32,671	32,671
Other Comprehensive Loss for the year		-	(2,419)	(2,419)
Total Comprehensive Income for the year		-	30,252	30,252
Dividends		-	(5,000)	(5,000)
Balance as at 31 December 2017		2,543	196,482	199,025
Balance as at 1 January 2018		2,543	196,482	199,025
Loss for the financial year	23	-	(12,461)	(12,461)
Other Comprehensive Income for the year		-	2,390	2,390
Total Comprehensive Income for the year		-	(10,071)	(10,071)
Dividends	24	-	(4,000)	(4,000)
Balance as at 31 December 2018		2,543	182,411	184,954

The notes on pages 14 to 50 form part of these financial statements.

J. Murphy & Sons Limited

Consolidated Statement of Cash Flows for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Cash generated from / (used in) operating activities	25	19,419	(38,006)
Taxation received / (paid)		1,423	(3,008)
Net cash generated from / (used in) operating activities		20,842	(41,014)
Cash flow (used in) / generated from investing activities			
Purchase of tangible assets		(2,550)	(16,334)
Purchase of intangible assets		(7,705)	
Proceeds from disposal of tangible assets		3,566	818
Acquisition of subsidiary undertaking		-	(3,965)
Acquisition of joint venture		(137)	-
Proceeds from sale of joint venture		-	36,474
Interest received	7	290	178
Net cash (used in) / generated from investing activities		(6,536)	17,171
Cash flow used in financing activities			
Dividends paid	24	(4,000)	(5,000)
Interest paid	8	(672)	(205)
Repayment of obligation under finance leases		(8,243)	(5,936)
Net cash used in financing activities		(12,915)	(11,141)
Net increase / (decrease) in cash and cash equivalents		1,391	(34,984)
Cash acquired on acquisition		-	12
Cash and cash equivalents at the beginning of the year		61,942	96,914
Cash and cash equivalents at the end of the year		63,333	61,942
Cash and cash equivalents consist of:			
Cash at bank and in hand		63,333	46,942
Short term deposits		-	15,000
Cash and cash equivalents		63,333	61,942

The notes on pages 14 to 50 form part of these financial statements.

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies

General information

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

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

Statement of compliance

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

Summary of significant accounting policies

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

Basis of preparation of financial statements

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

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

Going concern

The Group continues to meet its day to day working capital requirements. The Group had £63m of cash (of which £61m was unrestricted) at year end. In June 2019, the Group renewed a facility with the Lloyds Banking Group for a further three years to provide up to £30m working capital facility for short term needs providing certain covenants are maintained.

The directors have prepared cashflow forecasts for the period to December 2021, taking into account some downside sensitivities, the effect of which could mean that the Lloyds facility is unavailable. Even in these circumstances, the directors have a reasonable expectation that the Group has adequate resources and mitigation strategies to continue to operate within existing resources and covenants. Thus, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

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

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

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

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 2018.

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

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

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

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

Prior period restatements

a) Following a review of the presentation and disclosure requirements of FRS 102 and the Companies Act 2006, the directors have concluded that a restatement is required of the presentation of administrative costs and cost of sales in the consolidated profit and loss account.

In the prior year consolidated profit and loss account, £64,441,000 of administrative costs were included within the cost of sales balance of £715,586,000. A restatement has been made to the prior year consolidated profit and loss account to present administrative costs separately.

The impact on the consolidated profit and loss account is as follows:

Consolidated profit and loss account	£'000
Cost of sales	(64,441)
Administrative expenses	64,441
Impact on profit before and after tax	-

There is no impact on the consolidated statement of comprehensive income, the consolidated balance sheet and equity.

b) The company enters into joint arrangements with third parties to bid for and deliver certain long-term contracts. Having performed a review of the contractual agreements underpinning these joint arrangements, the directors have identified that certain joint arrangements meet the definition of a jointly controlled entity in accordance with FRS 102.15.8, compared with their previous treatment as jointly controlled operations in the prior year consolidated financial statements.

The impact on the consolidated financial statements of this restatement is as follows:

Consolidated profit and loss account	£'000
Revenue	3,008
Cost of sales	(3,856)
Share of profit in joint venture, post tax	848
Impact on profit before and after tax	-
Equity – consolidated	£'000
Investments in joint ventures	(549)
Current assets	(3,357)
Current liabilities	3,906

There is no impact on the consolidated statement of comprehensive income.

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

Prior period restatements (continued)

c) During 2017 the group incurred £3,036,000 of IT development costs which were classified as tangible fixed assets (assets under development). Following a review of the nature of these costs, the directors have concluded that they more appropriately meet the FRS 102.18 definition of intangible assets under development. A restatement has been made therefore, to correctly classify these assets as intangible assets. The impact of this correction is as follows:

Equity – consolidated and company	£'000
Intangible assets	3,036
Tangible assets	(3,036)
Impact on equity	-

There is no impact on the consolidated profit and loss account and consolidated statement of comprehensive income.

Business combinations

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

Goodwill

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

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

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

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

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

Intangible assets

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

The useful life for software development costs is 3 to 5 years.

Tangible assets and depreciation

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

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

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

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

Land is not depreciated.

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

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

Investment properties

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

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

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

Investments

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

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

Non-controlling interests

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

Jointly controlled operations

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

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

Jointly controlled entities

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

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

Stocks

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

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

Property for resale comprises developed sites that are available for sale. When property is sold, development costs included in stock are allocated to cost of sales using the percentage of square footage of the property multiplied by the estimated total cost of the development. All stock categories are stated at the lower of cost and estimated selling price less costs to sell, having taken into accounts obsolete and slow moving items.

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

Cash and cash equivalents

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

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

Employee benefits

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

(a) Defined Benefit pension scheme

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

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

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

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

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

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

(b) Defined Contribution schemes

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

(c) Short term benefits

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

Financial instruments

(a) Trade debtors and other receivables

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

(b) Amounts recoverable on contracts

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

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

(c) Trade creditors and other payables

Trade creditors and other payables with no stated interest rate are stated initially at the transaction price and subsequently measured at amortised cost using the effective interest rate method. Any changes in fair value are recognised in the Consolidated profit and loss account.

Share capital

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

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

Revenue recognition

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

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

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

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

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

Tender Costs

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

Other operating income

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

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

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

(a) Current tax

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

(b) Deferred tax

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

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

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

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

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

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

Finance lease assets

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

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

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

Operating leases

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

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

Foreign currency - Company

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

Foreign currency - Group

The Group financial statements are presented in pounds sterling.

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

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

Related party transactions

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

2 Critical accounting judgements and estimation uncertainty

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

Critical accounting estimates and judgements

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

(a) Revenue recognition and contract losses

Revenue is recognised based on an estimation of the contract progress to date, on a contract-by-contract basis in accordance with the terms of the contract. This is usually measured by reference to the ratio of current costs incurred to an estimate of the total costs to complete the contract. Contract profit on the revenue recognised and any anticipated contract losses are recorded in the period using estimations for total contract revenue (including variations) and the aforementioned estimate of total costs to complete, which take into account likely contract risks. In the early stages of a contract, profit is recognised cautiously reflecting the early maturity of the contract's risk profile. The estimates involved in revenue and profit recognition involve considerable degrees of management judgement (for example, timeframe to completion, contract variations, technical complexity of risks, subcontractor claims), which are regularly reviewed in light of new information and so will result in changes to the level of revenue and profit recognised in the next financial year.

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

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

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

2 Critical accounting judgements and estimation uncertainty (continued)

(c) Defined Benefit pension scheme

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

(d) Investment properties

The fair value of investment properties is based on a valuation by independent, professional valuers (Jones Lang LaSalle), who have performed their valuation in accordance with the RICS Valuation - Professional Standards and FRS 102. There are significant judgements and estimates involved in valuing such properties which are subject to uncertainty in outcome, including current market yields, estimated rental values, capital expenditure requirements, void costs and tenant incentives. Refer to note 12 for the assumptions.

(e) Carrying value of property for development

Inventories of property for development 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 Group has to allocate site-wide development costs between completed units and those to be completed in future years. The factors affecting allocation are set out in the accounting policy section on stocks on page 18. It also has to make estimates of the costs to complete for such developments and the need for any impairment loss, calculated by reference to independent professional valuations. These estimates are reflected in the margin recognised on developments in relation to sales recognised in the current and future years and the carrying value of the land and inventory.

During the year the estimate used to allocate costs to cost of sales for those properties sold, was changed from the percentage of square footage multiplied by the estimated sales price of the development, to using the percentage of square footage of the property multiplied by the estimated total cost of the development. The impact of this change in estimate was a credit to the profit and loss account of £556,000.

(f) Deferred tax

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

(g) Plant and machinery

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

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

3 Turnover

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

	2018 £'000	Restated* 2017 £'000
United Kingdom and Ireland	668,771	607,654
Rest of the World	71,050	101,197
	739,821	708,851

* Refer Note 1.

4 Group operating (loss) / profit

	2018 £'000	2017 £'000
This is stated after charging / (crediting):		
Staff costs (Note 5)	291,722	298,935
Amortisation of positive goodwill (Note 10)	483	398
Amortisation of negative goodwill (Note 10)	(101)	-
Amortisation of intangible assets (Note 11)	380	-
Depreciation of tangible assets (Note 12)	10,601	11,138
Profit on disposal of tangible fixed assets	(2,452)	(276)
Losses due to benefit changes (Note 21)	1,164	-
Operating lease charges	6,348	7,695
Auditors' remuneration		
- audit of Company and Group financial statements	159	167
- audit of subsidiaries	223	133
- Other assurance services	-	725
- taxation services	7	386

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

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

5 Employee information

Group	2018 £'000	2017 £'000
Wages and salaries	258,336	272,460
Social security costs	24,858	20,771
Other pension costs	8,528	5,704
	291,722	298,935

The monthly average number of employees, including directors, during the year was as follows:	2018 Number	2017 Number
Management	60	59
Production	2,032	2,223
Administration	1,897	1,596
	3,989	3,878

Company	2018 £'000	2017 £'000
Wages and salaries	203,047	196,054
Social security costs	18,326	18,351
Other pension costs	7,329	5,203
	228,702	219,608

The monthly average number of employees, including directors, during the year was as follows:	2018 Number	2017 Number
Management	52	43
Production	1,616	1,533
Administration	1,703	1,530
	3,371	3,106

6 Directors' remuneration

Directors' remuneration	2018 £'000	2017 £'000
Aggregate remuneration	2,117	2,300
Money purchase pension contributions	56	137
Benefits in kind	29	56
	2,202	2,493

Highest paid director	2018 £'000	2017 £'000
Aggregate remuneration	582	939
Money purchase pension contributions	-	3
	582	942

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

6 Directors' remuneration (continued)

There are three (2017: five) directors to whom post-employment benefits are accruing under money purchase schemes. There is no participation by any directors in a Defined Benefit scheme. For the highest paid director, there was no exercise of any share options and no participation in a Defined Benefit pension scheme.

The above amounts exclude compensation for loss of office. In aggregate £nil (2017: £200,000) was paid during the year for compensation for loss of office.

Key management compensation

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

	2018	2017
	£'000	£'000
Salaries and other short-term benefits	3,740	5,694
Post-employment benefits	128	673
	3,868	6,367

7 Interest receivable

	2018	2017
	£'000	£'000
Bank and other interest receivable	327	178
	327	178

8 Interest payable

	2018	2017
	£'000	£'000
Net Defined Benefit pension interest expense (Note 21)	412	419
Bank and other interest payable	29	205
Interest on finance leases	643	292
	1,084	916

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

9 Tax on (loss) / profit

Tax (credit) / expense included in the Consolidated profit and loss account

	2018	2017
	£'000	£'000
Current tax:		
UK corporation tax at 19% (2017: 19.25%)		
- current year	(1,435)	1,343
- adjustments in respect of previous periods	1,637	64
Total current tax	202	1,407
Deferred tax:		
Accelerated capital allowances and other timing differences	(1,208)	(27)
Changes in tax laws and rates	103	(338)
Adjustments in respect of previous periods	324	108
Total deferred tax	(781)	(257)
Tax (credit) / expense on (loss) / profit	(579)	1,150

Tax credit included in the Consolidated Statement of Comprehensive Income

Deferred tax:		
Origination and reversal of timing differences	489	(513)
Total tax credit included in the Consolidated statement of comprehensive income	489	(513)

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018	2017
	£'000	£'000
(Loss) / profit before taxation	(12,888)	12,429
Share of (profit) / loss in joint venture, post taxation	(2,572)	1,642
(Loss) / profit before taxation excluding share of (profit)/loss in joint venture	(15,460)	14,071
(Loss) / Profit before taxation excluding share of (profit) / loss in joint venture multiplied by standard rate in the UK 19% (2017: 19.25%)	(2,937)	2,709
Effects of:		
Expenses not deductible for tax purposes	1,086	256
Income not taxable	(1,031)	(720)
Movement on revalued properties	-	(187)
Changes in tax rates	103	(338)
Deferred tax not recognised	20	-
Adjustments in respect of previous periods	1,962	172
Sundry	(33)	-
Difference in rate of tax overseas	251	(742)
Tax (credit) / expense for the year	(579)	1,150

Deferred tax assets of £1,395,000 (2017: £200,000) have not been recognised.

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

9 Tax on (loss) / profit (continued)

Factors affecting future tax charges

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

Changes to the UK corporation tax rates were substantively enacted as part of the Finance No 2. Act 2015. These include reductions to the main rate to reduce the rate to 17% from 1 April 2020.

10 Goodwill

Cost	Negative Goodwill £'000	Positive Goodwill £'000	Total £'000
At 1 January 2018	-	4,832	4,832
Additions	(551)	-	(551)
Exchange difference	-	58	58
Year ended 31 December 2018	(551)	4,890	4,339
Amortisation			
At 1 January 2018	-	398	398
Charge / (credit) for the year	(101)	483	382
Exchange difference	-	15	15
At 31 December 2018	(101)	896	795
Net book value			
At 31 December 2018	(450)	3,994	3,544
At 31 December 2017	-	4,434	4,434

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

Negative goodwill has arisen on the acquisition of Murphy Eltel JV Limited, and is being amortised on a straight line basis of 5 years, being the period over which the value of the non-monetary assets acquired are expected to be recovered.

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

11 Intangible assets

Group	Assets not in use £'000	Other intangible assets in use £'000	Software Development in use £'000	*Restated Total £'000
Cost				
At 1 January 2018	3,036	-	-	3,036
Additions	6,691	888	126	7,705
Disposals	(191)	-	-	(191)
Transfers	(512)	-	1,022	510
Year ended 31 December 2018	9,024	888	1,148	11,060
Amortisation				
At 1 January 2018	-	-	-	-
Charge for the year	-	160	220	380
Transfers	-	-	127	127
At 31 December 2018	-	160	347	507
Net book value				
At 31 December 2018	9,024	728	801	10,553
At 31 December 2017	3,036	-	-	3,036

Software development in use is being amortised on a straight line basis over a period of 3-5 years, from the date the asset became available for use. The amortisation charge is recognised in the profit and loss account within administration expenses.

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

Assets not in use comprise amounts capitalised during development of software and will be amortised over its expected useful life when the asset is brought into use.

*Refer Note 1

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

11 Intangible assets (continued)

Company	Assets not in use £'00	Software Development in use £'00	*Restated Total £'00
Cost			
At 1 January 2018	2,952	-	2,952
Additions	6,672	126	6,798
Disposals	(191)	-	(191)
Transfers	(428)	1,022	594
Year ended 31 December 2018	9,005	1,148	10,153
Amortisation			
At 1 January 2018	-	-	-
Charge for the year	-	220	220
Transfers	-	127	127
At 31 December 2018	-	347	347
Net book value			
At 31 December 2018	9,005	801	9,806
At 31 December 2017	2,952	-	2,952

Software development in use is being amortised on a straight line basis over a period of 3-5 years, from the date the asset became available for use. The amortisation charge is recognised in the profit and loss account within administration expenses.

Assets not in use comprise amounts capitalised during development of software and will be amortised over its expected useful life when the asset is brought into use.

*Refer Note 1

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

12 Tangible assets

Group	Investment properties £'000	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Computer and other equipment £'000	*Restated Total £'000
Cost / Valuation						
At 1 January 2018	82,846	25,960	78,358	29,409	12,248	228,821
Additions	-	1,172	19,966	2,511	710	24,359
Disposals	-	-	(10,365)	(6,532)	(7,312)	(24,209)
Revaluation	11,949	-	-	-	-	11,949
Transfers	210	(1,547)	(1,958)	2,460	(331)	(1,166)
Exchange difference	-	42	17	23	17	99
At 31 December 2018	95,005	25,627	86,018	27,871	5,332	239,853
Depreciation						
At 1 January 2018	-	3,144	49,396	19,355	9,305	81,200
Charge for the year	-	(23)	5,636	3,279	1,709	10,601
Disposals	-	-	(9,803)	(6,413)	(7,041)	(23,257)
Transfers	-	(372)	192	225	267	312
Exchange difference	-	8	58	13	19	98
At 31 December 2018	-	2,757	45,479	16,459	4,259	68,954
Net book value						
At 31 December 2018	95,005	22,870	40,539	11,412	1,073	170,899
At 31 December 2017	82,846	22,816	28,962	10,054	2,943	147,621

The historical cost of investment properties is £25,268,000 (2017: £24,688,000).

The 2018 valuations were prepared by external valuers Jones Lang LaSalle, who are members of the Royal Institute of Chartered Surveyors and have recent experience in the location and category of the investment properties being valued. The valuation is on the basis of open market value. The key assumptions made relating to the valuations are set out below:

	Industrial property		Open storage	
	2018	2017	2018	2017
Yield	4.4% - 12.0%	2.6% - 12.0%	4.5% - 7.3%	5.7% - 7.5%
Voids / letting periods	6 months - 12 months	6 months - 12 months	6 months to 12 months	6 months to 12 months
Market rents	£3 - £9.25 per sq. foot	£1.50 - £9.00 per sq. foot	£0.50 - £3.40 per sq. foot	£0.50 - £3.40 per sq. foot

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

The net carrying amount of assets held under finance leases included in plant and machinery and motor vehicles is £32,489,000 (2017: £18,000,000).

*Refer Note 1

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

12 Tangible assets (continued)

Company	Investment properties £'000	Land and buildings £'000	Plant and machinery £'000	Computer and other equipment £'000	*Restated Total £'000
Cost / Valuation					
At 1 January 2018	82,626	21,400	3,771	5,298	113,095
Additions	-	1,172	211	648	2,031
Disposals	(100,415)	-	(467)	(1,824)	(102,706)
Revaluation	18,114	-	-	-	18,114
Transfer	210	(1,640)	-	(630)	(2,060)
At 31 December 2018	535	20,932	3,515	3,492	28,474
Depreciation					
At 1 January 2018	-	2,266	2,074	3,637	7,977
Charge for the year	-	(224)	311	661	748
Disposals	-	-	(446)	(1,554)	(2,000)
Transfer	-	(385)	-	(127)	(512)
At 31 December 2018	-	1,657	1,939	2,617	6,213
Net book value					
At 31 December 2018	535	19,275	1,576	875	22,261
At 31 December 2017	82,626	19,134	1,697	1,661	105,118

The historical cost of investment properties is £399,000 (2017: £24,688,000).

The 2018 valuations were prepared by external valuers Jones Lang LaSalle, who are members of the Royal Institute of Chartered Surveyors and have recent experience in the location and category of the investment properties being valued. The valuation is on the basis of open market value. The key assumptions made relating to the valuations are set out below:

	Industrial property	Open storage	
	2017	2018	2017
Yield	2.6% - 12.0%	7.3%	7.5%
Voids / letting periods	6 months – 12 months	12 months	12 months
Market rents	£1.50 - £9.00 per sq. foot	£3.40 per sq. foot	£3.40 per sq. foot

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

The net carrying amount of assets held under finance leases included in plant and machinery is £725,000 (2017: £851,000).

*Refer Note 1

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

13 Investments in joint ventures

On 6 February 2018, the Group acquired 50% of the ordinary shares of Murphy Eltel JV Limited for consideration of £137,000 becoming the new joint venture partner of Eltel.

Analysis of the acquisition of Murphy Eltel JV Limited:

Consideration	£'000	£'000
Fair value of consideration paid	(113)	
Costs associated with the acquisition	(24)	
	<u>(137)</u>	(137)
Fair value of the net liabilities of Murphy Eltel JV Limited at the date of acquisition:		
Tangible assets	877	
Cash	1,076	
Debtors (including deferred tax asset of £275,000)	2,024	
Creditors	(3,142)	
Loans from joint venture partners	(1,301)	
Finance leases	(148)	
Fair value of net liabilities	<u>(614)</u>	(614)
Loan acquired		1,302
Negative goodwill arising (see note 10)		551

During 2017, the Group sold its 50% interest in Murphy Pipe and Civil Group Pty Limited, a construction company incorporated in Australia for consideration of £36,474,000 resulting in a profit of £2,130,000.

	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 2017			£'000 35,986
Share of loss for the period			(1,642)
Disposal			(34,344)
Share of net assets at 31 December 2017			-
	Activities	Country of incorporation	Percentage of ordinary shares held by Group
Murphy Eltel JV Limited	High voltage overhead line projects	England	50%
Murphy GMC Partnership	Pipeline installation	Republic of Ireland	50%
Group			
Share of net assets at 1 January 2018			£'000 -
Share of net liabilities acquired			(614)
Share of profit for the period			2,572
Share of net assets at 31 December 2018			1,958

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

13 Investments in joint ventures (continued)

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

	Murphy Eltel JV Limited		Murphy Pipe and Civil Group Pty Limited	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Turnover	25,811	-	-	35,080
Operating profit / (loss)	1,274	-	-	(575)
Interest payable	(38)	-	-	(85)
Profit / (loss) before taxation	1,236	-	-	(660)
Tax on profit / (loss)	(195)	-	-	(134)
Profit / (loss) for the period	1,041	-	-	(794)

	Murphy GMC	
	2018 £'000	2017 £'000
Turnover	13,843	4,713
Operating profit / (loss)	1,531	(848)
Profit / (loss) before taxation	1,531	(848)
Tax on profit / (loss)	-	-
Profit / (loss) for the period	1,531	(848)

14 Investments

Company	Investment in subsidiaries £'000
Cost and net book value	
At 1 January 2018	2,090
Additions	-
Disposal	(1,253)
At 31 December 2018	837

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

14 Investments (continued)

Investment in subsidiaries

The Company has the following directly wholly owned subsidiary companies:

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

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

14 Investments (continued)

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

The Company has the following indirectly wholly owned subsidiary companies:

	Percentage of ordinary shares	Country of incorporation	Activities	Registered address
Dalston Lane Terrace Management Limited	Limited by guarantee	England	Real estate	Hiview House, Highgate Road, London, NW5 1TN
Delancey Commercial Limited	100%	England	Real estate	Hiview House, Highgate Road, London, NW5 1TN
Delancey Residential Limited	100%	England	Real estate	Hiview House, Highgate Road, London, NW5 1TN
Earth Tech Holdings Limited	100%	Republic of Ireland	Holding Company	Great Connell, Newbridge, Co Kildare
Jones Environmental Limited	100%	Republic of Ireland	Holding Company	Great Connell, Newbridge, Co Kildare
Jones Environmental UK Limited	100%	Republic of Ireland	Dormant	Great Connell, Newbridge, Co Kildare
Murphy Gas Network Limited	100%	England	Dormant company	Hiview House, Highgate Road, London, NW5 1TN
Murphy Group Canada Limited	100%	Canada	Construction	400 3rd Avenue Calgary Alberta T2P 4H2

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

14 Investments (continued)

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

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

The Company has the following indirectly owned joint ventures:

	Percentage of interest	Country of incorporation	Activities	Registered address
Murphy Eltel JV Limited	50%	England	High voltage overhead line projects	Hiview House, Highgate Road, London, NW5 1TN
Murphy GMC Partnership	50%	Republic of Ireland	Pipeline installation	Great Connell, Newbridge, Co. Kildare
Optimise Water (LLP)	36%	England	Civil engineering and utilities contracting	Rose Kiln Court Rose Kiln Lane Reading RG2 0BY

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

15 Stocks

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Raw materials and consumables	1,830	1,704	1,104	1,138
Property for resale	9,901	8,477	-	-
Property for development	2,329	6,529	1,087	1,259
	14,060	16,710	2,191	2,397

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

During the year £1,083,000 (2017: £nil) was transferred from Land and Buildings to Property for development.

16 Debtors

	Group		Company	
	2018 £'000	Restated 2017 £'000	2018 £'000	2017 £'000
Amount falling due within one year				
Trade debtors	81,516	84,244	40,092	65,428
Amounts owed by group undertakings	-	-	166,703	58,507
Amounts owed by parent company	2,422	2,316	2,422	2,313
Amounts owed by related parties	3,138	990	1,177	-
Amounts recoverable on contracts	93,059	134,093	83,247	122,117
Deferred tax asset (Note 19)	3,321	3,257	8,561	-
Corporation tax	2,296	4,332	2,247	6,662
Other debtors	9,814	9,778	7,832	4,999
Prepayments and accrued income	3,734	2,032	1,915	1,705
Total debtors	199,300	241,042	314,196	261,731

Trade debtors for the Group are stated after provision for impairment of £97,000 (2017: £1,169,000).

Included in amounts owed by related parties is £1,450,000 due from Folgate Estates Limited, £1,340,000 due from Murphy Eltel JV Limited and £348,000 due from other related parties.

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

17 Creditors: amounts falling due within one year

	Group		Company	
	2018	Restated 2017	2018	2017
	£'000	£'000	£'000	£'000
Trade creditors	48,028	92,509	31,123	82,385
Amounts owed to group undertakings	-	-	17,656	21,033
Amounts owed to related parties	-	10,298	-	329
Finance leases (Note 18)	10,606	5,548	232	233
Other taxation and social security	14,319	11,518	20,536	13,011
Other creditors	9,874	6,290	16,287	-
Payments received on account and amounts accrued on contracts	50,031	61,366	39,311	58,691
Accruals and deferred income	88,759	36,607	73,127	21,724
	221,617	224,136	198,272	197,406

Included in accruals and deferred income are £24,996,000 (2017: £nil) of provisions for future contract losses.

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

18 Creditors: amounts falling due after more than one year

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Finance leases	20,314	11,807	446	697

Finance leases

The future minimum finance lease payments are as follows:

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Not later than one year	11,350	5,913	253	252
Later than one year and not later than five years	21,226	12,521	462	758
Total gross payments	32,576	18,434	715	1,010
Less: finance charges	(1,656)	(1,079)	(37)	(80)
Carrying amount of liability	30,920	17,355	678	930

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

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

19 Provision for liabilities

Group	£'000
Deferred tax asset	
At 1 January 2018	978
Deferred tax credited in Consolidated profit and loss account	1,105
Adjustments in respect of previous years	(324)
Exchange differences	(76)
Deferred tax credited in the Consolidated statement of comprehensive income	(489)
At 31 December 2018	1,194
Deferred tax asset (Note 16)	3,321
Deferred tax liability	(2,127)
Total net deferred tax asset	1,194

Group	2018 £'000	2017 £'000
Tax effect of timing differences because of:		
Fixed assets timing differences	(8,791)	(5,479)
Short term timing differences	548	(3,467)
Losses	6,850	6,859
Deferred tax excluding that relating to pension deficit	(1,393)	(2,087)
Deferred tax relating to pension deficit	2,587	3,065
Total net deferred tax asset	1,194	978

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

19 Provision for liabilities (continued)

Company	£'000
Deferred tax asset / (liability)	
At 1 January 2018	(5,725)
Deferred tax credited in profit and loss account	15,108
Adjustments in respect of previous years	(333)
Deferred tax credited in the statement of comprehensive income	(489)
At 31 December 2018	8,561

Company	2018 £'000	2017 £'000
Tax effect of timing differences because of:		
Fixed assets timing differences	779	(8,901)
Short term timing differences	574	111
Losses	4,621	-
Deferred tax excluding that relating to pension deficit	5,974	(8,790)
Deferred tax relating to pension deficit	2,587	3,065
Total net deferred tax asset / (liability)	8,561	(5,725)

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

20 Financial assets and liabilities.

Group

The Group has the following financial assets:

	Note	2018 £'000	2017 £'000
Financial assets that are debt instruments measured at amortised cost:			
- Trade debtors	16	81,516	84,244
- Amounts owed by parent company	16	2,422	2,316
- Amounts owed by related parties	16	3,138	990
- Amount recoverable on contracts	16	93,059	134,093
- Other debtors	16	9,814	9,778
		189,949	231,421

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

20 Financial assets and liabilities (continued)

The Group has the following financial liabilities:

	Note	2018 £'000	2017 £'000
Financial liabilities measured at amortised cost:			
- Trade creditors	17	48,028	92,509
- Amounts owed to related parties	17	-	10,298
- Other creditors	17	9,874	6,290
- Accruals and deferred income	17	88,759	36,607
		146,661	145,704

Company

The Company has the following financial assets:

	Note	2018 £'000	2017 £'000
Financial assets that are debt instruments measured at amortised cost:			
- Trade debtors	16	40,092	65,428
- Amounts owed by group undertakings	16	166,703	58,507
- Amounts owed by parent company	16	2,422	2,313
- Amounts recoverable on contracts	16	83,247	122,117
- Other debtors	16	7,832	4,999
		300,296	253,364

Company

The Company has the following financial liabilities:

	Note	2018 £'000	2017 £'000
Financial liabilities measured at amortised cost:			
- Trade creditors	17	31,123	82,385
- Amounts owed to group undertakings	17	17,656	21,033
- Amounts owed to related companies	17	-	329
- Other taxation and social security	17	20,536	13,011
- Other creditors	17	16,287	-
- Accruals and deferred income	17	73,127	21,724
		158,729	138,482

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

21 Post-employment benefits

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

	2018	2017
	£'000	£'000
Defined Contribution schemes	8,529	5,704

Defined Contribution schemes

The Group operates Defined Contribution schemes in the UK, Ireland and Canada. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £8,529,000 (2017: £5,704,000). Contributions totalling £650,000 (2017: £617,000) were payable after the year end and are included in creditors.

Defined Benefit pension 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 being a final salary. The Defined Benefit section of the Plan closed to future accrual with effect from 31 December 2012. The Group paid deficit recovery contributions of £1,500,000 in the 12 month period ended 31 May 2018 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. The date of the last remeasurement valuation performed was as at 31 May 2015, and was updated by the Groups actuaries to take account of the requirements of FRS 102 in assessing the liabilities of the defined benefit scheme at 31 December 2017 and 31 December 2018.

Remeasurement 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 remeasurement assumptions

	2018	2017	2016
Retail Price Index	3.50%	3.40%	3.60%
Rate of discount	2.80%	2.40%	2.70%
Allowance for pension in payment increases of RPI or 5% pa if less	3.50%	3.40%	3.60%
Allowance for revaluation rate for deferred pensions of CPI or 5% if less	2.60%	2.50%	2.70%
Allowance for commutation of pension requirement	50%	50%	50%

The mortality assumptions adopted at 31 December 2018 imply the following life expectancies.

	2018	2017
Male retiring at age 65	21.9	22.1
Female retiring at age 65	23.8	23.9
Male retiring at age 65 in 20 years	23.3	23.5
Female retiring at age 65 in 20 years	25.4	25.4

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

21 Post-employment benefits (continued)

Defined Benefit liability

The assets in the scheme were:

	Value at 31 December 2018 £'000	Value at 31 December 2017 £'000	Value at 31 December 2016 £'000
Corporate bonds	-	-	10,258
Cash and other assets	183	504	154
Buy-in policies	39,875	42,189	30,982
Diversified growth and LDI	39,754	39,888	44,667
Total market value of assets	79,812	82,581	86,061
Present value of scheme liabilities	(95,031)	(100,609)	(102,238)
Pension liability	(15,219)	(18,028)	(16,177)

Reconciliation of scheme assets and liabilities

	Assets £'000	Liabilities £'000	Total 2018 £'000	Total 2017 £'000
At 1 January	82,581	(100,609)	(18,028)	(16,177)
Expenses	-	6	6	(6)
Losses due to benefit changes	-	(1,164)	(1,164)	-
Interest income	1,967	-	1,967	2,293
Interest expenses	-	(2,379)	(2,379)	(2,706)
Remeasurement (losses) / gains	(2,956)	5,835	2,879	(2,932)
Employer contributions	1,500	-	1,500	1,500
Benefits paid	(3,280)	3,280	-	-
At 31 December	79,812	(95,031)	(15,219)	(18,028)

Total expense recognised in the Consolidated profit and loss account

	2018 £'000	2017 £'000
Analysis of amounts (charged) / credited to profit and loss are as follows:		
Expenses	6	(6)
Losses due to benefit changes	(1,164)	-
Interest income	1,967	2,293
Interest expense	(2,379)	(2,706)
Net expense	(1,570)	(419)

The losses due to benefit changes have arisen from a High Court ruling in October 2018 requiring occupation pension schemes to equalise Guaranteed Minimum Pensions (GMP) between the genders. The charge represents the current estimate of the cost of GMP equalisation.

The Group expects to contribute £1,500,000 to its Defined Benefit pension scheme in 2019 (2018: £1,500,000).

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

21 Post-employment benefits (continued)

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

	2018	2017
	£'000	£'000
Loss on pension scheme assets	(2,956)	(3,165)
Experience (losses) / gains arising on the plan benefit scheme liabilities	(496)	1,460
Changes in assumptions underlying present value of the plan benefit scheme liabilities	6,331	(1,227)
Remeasurement gain / (loss) recognised in the Consolidated statement of Comprehensive Income	2,879	(2,932)

The cumulative amount of remeasurement gains and losses recognised in the Consolidated statement of comprehensive income was a loss of £39,740,000 (2017: loss of £42,619,000).

22 Called up share capital

	2018	2017
	£'000	£'000
Allotted, called up and fully paid		
300,000 (2017: 300,000) Ordinary shares of £1 each	300	300
1,950,000 (2017: 1,950,000) 1% Non-cumulative preference shares of £1 each	1,950	1,950
487,500 (2017: 487,500) 1% Non-cumulative second preference shares of 10 pence each	49	49
2,437,500 (2017: 2,437,500) 'A' Ordinary shares of 10 pence each	244	244
	2,543	2,543

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

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

23 Reserves

	Group	Company
	Profit and loss account	Profit and loss account
	£'000	£'000
At 1 January 2018	216,085	196,482
Loss for the financial year	(12,309)	(12,461)
Remeasurement gain on pension scheme	2,879	2,879
Movement on deferred tax relating to remeasurement gain on pension scheme	(489)	(489)
Currency translation difference	(246)	-
Dividends	(4,000)	(4,000)
At 31 December 2018	201,920	182,411

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account. The loss for the year dealt with in the financial statements of the Company was £12,461,000 (2017: profit of £32,671,000).

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

24 Dividends

	Group		Company	
	2018	2017	2018	2017
Equity – ordinary	£'000	£'000	£'000	£'000
Dividend paid	4,000	5,000	4,000	5,000

During the year, the Group paid an interim dividend of £4,000,000 in respect of 2017 (2017: interim 2017 dividend of £2,500,000 and a final 2016 dividend of £2,500,000).

25 Cash generated from / (used in) operating activities

	2018	2017
	£'000	£'000
(Loss) / profit for the financial year	(12,309)	11,279
Adjustments for:		
Tax on profit	(579)	1,150
Net interest (payable) / receivable	757	738
Surplus on revaluation of investment properties	(11,949)	(11,156)
Share of (profit) / loss of joint venture, post tax	(2,572)	794
Profit on the sale of joint venture	-	(2,130)
Group operating (loss) / profit	(26,652)	675
Depreciation of tangible fixed assets	10,601	11,138
Amortisation of intangible fixed assets	380	-
Amortisation of goodwill	483	398
Amortisation of negative goodwill	(101)	-
Profit on disposal of tangible fixed assets	(2,452)	(276)
Post-employment benefits cash contributions	(1,500)	(1,500)
Exchange differences on translation of foreign operations	(288)	167
Working capital movements:		
Decrease in stocks	3,734	3,654
Decrease / (increase) in trade debtors and other receivables	40,970	(37,684)
Decrease / (increase) in trade creditors and other payables	(5,756)	(14,578)
Cash generated from / (used in) operating activities	19,419	(38,006)

Balance of cash at bank includes restricted cash of £1,850,000 (2017: £2,100,000) (see note 26) as well as restricted cash of £13,514,000 (2017: £6,403,000) relating to joint operations.

J. Murphy & Sons Limited

Notes to the financial statements for the year ended 31 December 2018

26 Contingent liabilities

The company, together with Murphy Investments Holdings Limited, Murphy Investments (Mammoth) Limited, Murphy Investments (Morson Road) Limited, Murphy Plant Limited and Land and Marine Engineering Limited have provided a guarantee to Lloyds Bank PLC who provide the company, with a working capital facility of up to £30m, as described in Note 1.

During 2018 a charge in favour of Lloyds Bank PLC in respect of the RCF was created over certain of the Group's investment properties. The carrying value of investment property subject to a charge is £89,650,000 (2017: £nil).

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 have placed £1,850,000 (2017: £2,100,000) in separate bank accounts with the Company's bankers. In the event of the Company's insolvency the funds will be used to meet insurance claims.

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

The company has issued letters of support to certain wholly owned subsidiary companies, to ensure they are able to meet their liabilities as they fall due, for a period of twelve months from the date each subsidiary approves its 31 December 2018 financial statements.

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

27 Capital commitments

	2018	2017
At 31 December the Group had capital commitments as follows:	£'000	£'000
Tangible assets contracted for but not provided	2,566	3,720

The company had no capital commitments (2017: £nil).

Notes to the financial statements for the year ended 31 December 2018

28 Operating lease commitments

Operating lease agreements where the Group is a lessee

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

	2018	2017
Group	£'000	£'000
Within one year	6,336	4,767
Between two and five years	11,875	9,308
After more than five years	7,848	9,272
	26,059	23,347

	2018	2017
Company	£'000	£'000
Within one year	3,004	3,220
Between two and five years	8,550	8,621
After more than five years	7,418	9,002
	18,972	20,843

Operating lease agreements where the Group is a lessor

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

	2018	2017
Group	£'000	£'000
Within one year	5,776	4,648
Between two and five years	13,142	15,051
After more than five years	20,332	21,312
	39,250	41,011

There were no contingent rents recognised by the Group as revenue during the year (2017: £nil)

	2018	2017
Company	£'000	£'000
Within one year	1,400	4,648
Between two and five years	1,992	15,051
After more than five years	721	21,312
	4,113	41,011

There were no contingent rents recognised by the Company as revenue during the year (2017: £nil)

Notes to the financial statements for the year ended 31 December 2018

29 Related party transactions

Group

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

Joint operation name	Share	2018 Turnover £'000	2017 Turnover £'000
EAN	16.20%	-	829
West One	33.33%	-	175
HS2	50.00%	41,925	12,437
KMI Plus	30.83%	405	709
AMK	33.33%	8,247	19,765
Agility	50.00%	64,776	41,672
Irish Water Metering	80.00%	-	2,359
Surerus Murphy	50.00%	70,326	103,334
Total		185,679	181,280

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 2018 and 31 December 2017 are shown in notes 16 and 17.

During the year, rents of £1,880,000 (2017: £1,796,000) were charged in respect of property owned by the Folgate Holdings Limited Group. Property development work of £587,000 (2017: £8,445,000) was carried out on the Folgate Group's properties by the Group. Management charges of £542,000 (2017: £488,000) were charged to the Folgate Group. Charges for other services provided to the Folgate Group totalled £11,000 (2017: £175,000).

During the year, the Group was charged lease rental costs of £40,000 (2017: £47,000) by Ballyfarm Limited, a related party via a director. At the 31 December 2018 £72,000 (2017: £169,000) was owed to Ballyfarm Limited by the Group.

During the prior year, the Group provided management services to Ballyfarm Limited amounting to £9,000. No such services were provided during 2018.

During the year, the Company entered into a lease agreement with a Director on a residential unit forming part of the Company's property developments held for re-sale (included in stocks). The company received income from the director in the form of rental payments during the year of £32,000. At 31 December 2018, an amount of £4,000 was included in creditors representing amounts due to the director in respect of pre-paid rents.

Notes to the financial statements for the year ended 31 December 2018

29 Related party transactions (continued)

Key management compensation

See note 6 for disclosure of the key management compensation.

Company

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

30 Subsequent events

On 16 May 2019, the Group signed a CAN\$20m financing facility with Canadian Western Bank.

On 20 June 2019, the Group renewed a £30m working capital credit facility with the Lloyds Banking Group for a further three years.

31 Controlling party

The immediate parent undertaking is Drilton Limited. In the opinion of the directors the ultimate parent undertaking and controlling party is Maryland Limited, a company incorporated in 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 smallest and largest group of undertakings to consolidate these financial statements at 31 December 2018. The consolidated financial statements of Drilton Limited are available from Hiview House, Highgate Road, London NW5 1TN.