

MURPHY

WORLD-CLASS INFRASTRUCTURE

Improving life by delivering world-class infrastructure

J. Murphy & Sons Limited
Business Review 2015



One family. One team. One Murphy.

At the heart of everything we do

Our self-delivery model and 'one team' approach assures our clients that we provide a safe, reliable and cost-effective service to deliver essential infrastructure.

We react proactively to market conditions by transferring skills and resources across sectors, giving us our key competitive advantage.

To support this, we invest significant time and funds into our plant and our people. This means we can offer all our clients a highly-skilled, experienced workforce, equipped with modern and well-maintained equipment.

Because of this, our clients benefit from our 'one-stop shop' service. Even on their most complex projects, we can be on site and ready to work at the drop of a hat. We are the contractor of choice when unforeseen problems arise, providing a speedy and valued response to our clients' emergencies.

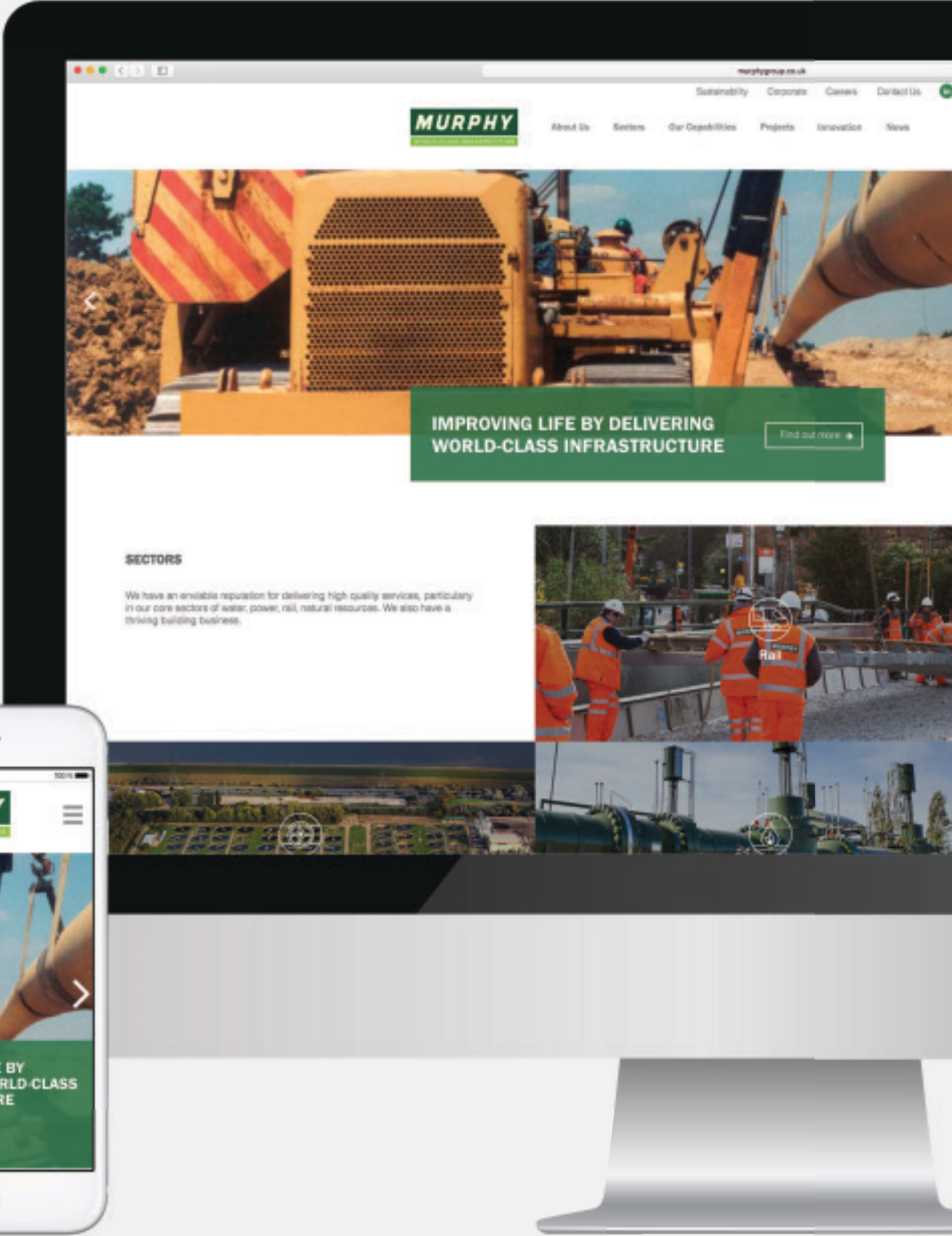
Who we are

We are a leading global, multi-disciplined engineering and construction company, delivering world-class infrastructure that is vital to keep economies running. We provide a wide range of construction services to infrastructure sectors including rail, power, water and natural resources.

We directly employ more than 3,500 engineers, professional managers and skilled operatives across the world. We operate in the United Kingdom, Ireland, Canada, the USA, Australia and the Middle East.

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SECTORS

We have an enviable reputation for delivering high quality services, particularly in our core sectors of water, power, rail, natural resources. We also have a thriving building business.



MURPHY
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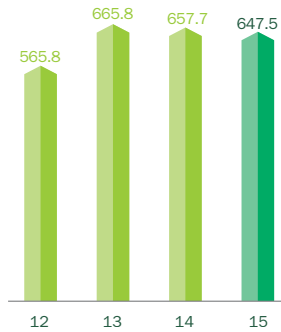
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Highlights

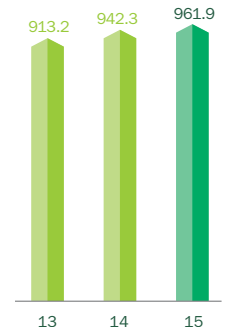
Revenue (£m)

£647.5



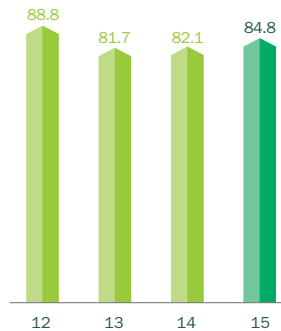
Order book (£m)

£961.9



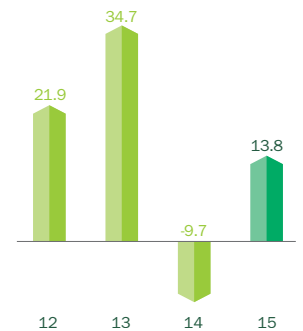
Cash balances (£m)

£84.8



Profit before tax (£m)

£13.8



Operational highlights

- £13.8 million (m) profit before tax on £647.5m revenue (2014: £10m loss and £657.7m revenue)
- Cash has held up at £84.8m
- As we moved into 2016, 75 per cent (%) of our planned revenue was 'secured' or 'anticipated' (£510m of £680m)
- We are well positioned in a strong home market which is presenting big opportunities
- Our 'Never Harm' culture remains strong as does our customer satisfaction
- We have strengthened our leadership team with both internal and external candidates
- Continued success and investment in our development and rental portfolio including Delancey Street, Dalston Lane, and Amazon, Morson Road
- Completion of our refurbished and new offices in Kentish Town, London and Newbridge, Co. Kildare
- Our Crossrail C310 contract, at £250m one of the largest projects in the company's history, was completed on time
- Investment in oil and mining capability in Australia
- Establishment of a USA business based in Denver, Colorado
- Settlement of aged accounts has delivered profit ahead of budget
- Joint venture team established and working well together
- \$3 billion (bn) value of pipeline projects bid in the year
- \$330m value of contracts where we are preferred bidder – which will proceed subject to regulatory approval

A wide range of expertise

Murphy has a proud history of delivering major infrastructure with an enviable reputation for the safety, quality and reliability of its services largely delivered in-house. We work closely with our partners and clients to deliver the best possible services.



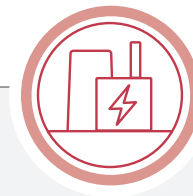
Rail

We have a long and distinguished record of delivering varied rail projects and a fundamental understanding of the complexities involved in all types of railway construction.

2015 highlights

- Supporting the national electrification programme
- Completion of Farnworth tunnel in Lancashire, the largest diameter tunnel in the UK
- Farnworth tunnel awarded 'best project' at the Rail Engineering Awards
- Emergency response to major landslip at Harbury cutting in Warwickshire
- Electrification of the Gospel Oak to Barking route
- Completion of 2,415 civil asset management remits
- Reconstruction of 36 rail bridges
- Consistently the leading contractor by KPI in Network Rail's central region
- 26 emergency landslips repaired in Network Rail's central region
- 24 new graduates joined the rail sector team

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Power

Our engineers provide a cost-effective, one-stop shop in the management, design, installation and maintenance of solutions in transmission and distribution of energy.

2015 highlights

- Installation of a dual circuit 66kV auto transformer feeder cable system at Melksham as part of National Grid's underground circuits framework, using new safe-dig technology
- Design, manufacture and installation of a structured cable management system, within a newly constructed tunnel and deep shaft, for UK Power Networks at Ipswich Dock
- Design, installation and commissioning of a 132kV bulk supply point feed from Edgware to Neasden for London Underground
- Installation of a 31km dual circuit 600kV high voltage direct current (HVDC) cable system as part of the Western Link project for National Grid and Scottish Power Transmission

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Water

Our depth of knowledge and experience in water and wastewater engineering underpins all our projects.

2015 highlights

- Asset Management Plan (AMP) 5 capital investment framework with Thames Water continued from 2015 into 2016
- AMP6 Infrastructure Alliance framework with Thames Water began at the start of 2015 and is a 15-year project
- Murphy and equal JV partners Kier and AECOM carried out significant construction activities to rebuild Deephams sewage treatment works for Thames Water, delivering the first phase on time
- Engineering and construction work to Harrowside outfall for United Utilities along the Fylde coast

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Natural resources

We have been working in the natural resources sector for many years, notably in oil, gas, and nuclear markets

2015 highlights

- Engineering, project management and installation of twin 20" offloading lines in Angola
- Asset health maintenance programmes with National Grid Gas (NGG)
- Major infrastructure upgrades
- Terminal upgrades and decommissioning with Centrica
- Fuel asset upgrades with Heathrow
- Landfall installation of power cables with Prysmian Group

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Harrowside outfall

Improving the bathing water quality along the Fylde Coast

Part of a £125m investment over five years, Harrowside outfall is the first element of United Utilities' Blackpool south strategy to improve the bathing water quality along the Fylde coast.

Murphy's work included the engineering, modelling, design, installation and commissioning of a new 2.1m diameter solid wall polyethylene gravity outfall pipe.

This 1km long pipe replaced a dilapidated existing cast iron outfall pipe from 1938.

400m long

sheet piled cofferdam with guide piles ensured the new pipe could be installed during high tides

1938

the year the existing dilapidated pipe was originally constructed





C310 tunnel **First Crossrail** **tunnel under** **the Thames** **using ‘smart** **infrastructure’**

Murphy, working with JV partner Hochtief, embedded a fibre optics system within the concrete rings that support the tunnel.

Sensors monitor any ground movement, the effect of loading caused by tidal changes and the ongoing integrity of the structure.

The information is invaluable for identifying areas that need maintenance and repair before problems arise and to ensure a seamless service for commuters.

**Tunnel boring using
groundwater saved**

2m litres

of potable water per week, resulting in savings of around £100,000

**The tunnel between
Plumstead and Woolwich is**

3km long

and forms part of the 42km Crossrail tunnel





Northern Powergrid A major reactive utilities maintenance framework

This ongoing framework covers Northern Powergrid's network across 8,500 square miles, in the north of England.

Across the network, Murphy repairs approximately 6,000 high voltage/low voltage (HV/LV) network service faults every year, as part of its 365 days a year, 24/7, live reactive contract to restore Northern Powergrid's network supply and keep essential power flowing to the region's customers.

Murphy works on an underground cable network covering

30,000km

100%

compliance rate on response time

Our integrated business model gives Murphy a breadth of exciting opportunities

Alastair Kerr
Chairman



The 2015 financial year was a successful one and I am pleased to report a good set of results for the business. Group revenue including share of JVs for the year ended 31 December 2015 was £703.9m (2014: £780.2m); total revenue was £647.5m (2014: £657.6m). Underlying profit before tax delivered was £13.8m for 2015.

The cash performance, one of our key measures, was very strong: the group ended the year with a cash balance of £84.9m (2014: £82.1m).

We have developed a ten-year plan and will be focusing on its strategic goals. These are aimed at increasing the group's profitability and scale of operations both organically and through acquisition, while continuing to improve the quality of our earnings.

The board

As the group continues to grow, it is important that we look at the composition of the board. During 2015, a number of senior management changes took place including the appointment of Steve Hollingshead, who took up the role of chief executive officer, in June. In December, Paul Collins joined the board as interim group finance director. Two independent non-executive directors were also appointed: Huw Davies, chair of audit and risk, and Mike Toms, chair of remuneration.

In September long-serving executive director James O'Callaghan retired, with Matthew Behan also stepping down in December. We would like to thank them both for their contribution to Murphy over the years and we wish them well.

Executive Management Board

During the year we made a number of senior appointments to the Executive Management Board (EMB): Bill Merry (business development and communications director), John Kinirons (safety, health, environment, sustainability and quality director), Nick Gorman (IT director) and Russell Kellett (group operations director). These appointments are a strong addition to the EMB ensuring Murphy has the range of skills, experience and expertise at executive level to deliver its ten-year plan.

Our people

As I spend much of my time visiting our offices and projects, I am always impressed with the calibre and integrity of our people across all levels. Their talent, commitment and positive approach

are integral to the success of the group. We remain committed to their well-being at all times and will continue to invest in their personal and professional development and to motivate and incentivise them appropriately. I would like to take this opportunity on behalf of the board to thank all our employees for their commitment, professionalism and sheer hard work during the year.

Strategy

Following the appointment of the new chief executive, the board has re-defined Murphy's business strategy. Our focus is to significantly improve the quality of earnings by developing the company over the next ten years. We will do this concurrently while delivering a safe, robust, sustainable performance from efficient business processes built around our self-delivery model.

Outlook

I am pleased to report a good set of results that show progress on last year and demonstrate the strength of the operational performance of the business.

Economic confidence is returning to our core markets. All of our trading entities have performed well and continue to benefit from greater investment by the UK government in infrastructure.

The business offers a broad set of skills which, when combined with our regional presence, provides a resilient operating platform. Through our sector approach, we have positioned ourselves to capitalise on key growth markets. We are committed to offering a fully integrated approach to our clients by maximising the breadth and combination of our specialist capabilities.

Our self-delivery model continues to provide a breadth of opportunities and with our strong track record Murphy is well placed to make further progress in the new financial year. The continuing improvements in operating performance and a strong order book approaching £1bn mean that the group is on course to meet the board's expectations for the current financial year.



Alastair Kerr
Chairman

“I am always impressed with the calibre and integrity of our people across all levels. Their talent, commitment and positive approach are integral to the success of the group.”

Becoming One Murphy

It is a huge privilege to represent and lead Murphy

The company has a tremendous history and a proud legacy of delivering major infrastructure programmes in the UK, Ireland and, more recently, overseas. At a time when the importance of infrastructure in our daily lives continues to grow, we are positioning the business to exploit opportunities across our target markets.

Since I joined, I have met as many of our clients as possible, and learnt from their experience of working with us. I have also spent time with our people, listening to their feedback. I continue to be impressed by the dedication and commitment of our teams. Murphy is a great place to work and we need motivated, ambitious teams to deliver our strategic goals and ten-year plan. I am committed to making sure that happens.

I would like to thank everyone in Murphy for taking on the challenges brought about by changes over the past year. In the coming months, my focus will be on communicating and implementing our ten-year plan across the company, making sure we continue to build on all the good work done to deliver infrastructure solutions that keep our economies running.

Steve Hollingshead
Chief Executive Officer



What makes Murphy's culture special?

At our core, we have a tight, family ethos and colleagues who all understand what we do and how we should do it. This commitment is reflected in our very high employee engagement, highlighted by our recent employee survey with a score of 85%. We also focus on a strong induction programme for new employees, so they have a clear understanding of our core values, how we work and what is expected of them.

Why do clients choose Murphy?

Our clients believe in our business model of direct delivery coupled with long-term investment in our people, plant and equipment. Together with a proactive 'can do' attitude, this makes a compelling offer. Our aim is to always deliver what we say we will deliver, within budget, on time and to the right quality. I believe that being true to our values means that clients know they get great service delivered in the right way. Murphy's high level of repeat business backs this up.

Can you explain the Murphy business model and how it will deliver your ten-year plan?

Our business model is built around direct delivery and long-term investment to develop and deliver innovative and cost-effective engineering solutions. We invest in bespoke plant, equipment, facilities and delivery processes. And we directly employ, train and develop our own professional managers, technicians, operatives and tradesmen to deliver our products and services. This is an approach we plan to continue, and one we are keen to build on.

As part of this, our ten-year plan sets out our purpose, growth plan and long-term direction. It looks at how we will implement and resource business improvement in all areas – getting 'fit for the future'.

Our focus is on the core infrastructure sectors of rail, power, water and natural resources, with other revenue generated by other trading activities and regional opportunities. Our newly appointed directors for each of these sectors will lead on market activities across Murphy. Their expertise and strong client relationships will help generate opportunities. Cross-selling our services and ensuring a fully integrated offering to our customers is an important part of those roles, as well as working with the teams to

improve the quality of our earnings. They will also develop strategic alliances and partnerships for the future, while raising Murphy's profile throughout the industry.

Our ten-year plan is an agenda for growth. The strong operating performance across our business gives us the confidence to invest, building a platform for us to double in size over the next ten years. We aim to deliver steady growth in revenue from over £648m in 2015 to £2bn by 2025, and improve profitability across a portfolio of services to at least 5% net profit before tax (PBT), growing to 10% by 2025.

What are the risks in achieving the ten-year plan?

Any plan contains an element of 'stretch' or ambition. And this one is no different. As we start this journey, we will manage risk by having a clear focus on what we need to deliver supported by robust operational, commercial and financial processes. There are a number of influences outside our control – for example, the economic climate and budgetary constraints of government departments. But I still believe investment in UK infrastructure will continue and we need to be central to delivering that.

Another challenge will be identifying, recruiting and developing the best available people in an ever-changing labour market, and filling a growing skills gap. But there are ways to work around these challenges. For the latter, I am keen that we work hard to attract and retain the best people, who want to be part of this exciting journey.

How about the international business?

I anticipate our international business will deliver 15% of the group's revenues by 2025. However, we recognise that although higher margins are available to us in overseas markets, risk management remains a vital consideration. To manage that, we are clear that we will focus on our core skills, and remain selective in any international expansion. And I am pleased we have made some progress.

In Australia, we have a 50% shareholding in Murphy Pipe and Civil (MPC). It is based in Brisbane and trades across a number of states, but principally in Queensland. Most of its work has been for liquified natural gas clients, but it is beginning to broaden its

scope of services to the mining and renewable energy sectors. The business has also recently acquired a US-based infrastructure contractor and has started contracting operations in that market. It is an exciting time and an area we will look to build on if we can.

In Canada, we have formed Surerus Murphy, a 50/50 JV with a local pipelines contractor, Surerus. The two businesses have come together to target the significant upcoming investment in large-diameter gas and liquid transmission pipelines in Western Canada. Again, this has lots of potential and I am glad we are already at the heart of that opportunity.

Our Land and Marine team has extensive experience of trading 'near shore' pipe and cable pulling expertise to major international projects – a specialist skill that may well see more and more opportunities globally to provide innovative infrastructure solutions.

With regard to future international contracting operations, we will continue to carefully evaluate any suitable opportunities where we can trade our core capabilities for the right returns. We have taken some positive steps, and the doors are open for us to grow if and when the right opportunities come along.

Where do you see Murphy in 2025?

I am very positive about the future and there is no reason why we cannot hit all our goals. We will have built on our strong balance sheet; have a clear vision that is being implemented around our values and core skills; developed a robust business model; have long-term client relationships where we deliver and add value; and, above all, will employ and train the right people who can exploit opportunities for growth in the markets where we operate.

We remain a company with the customer at the heart of everything we do and we have people who have shown they can respond to change and are ambitious for further growth. That is absolutely vital to get us there.

So, in ten years' time, I see Murphy as a company operating in our core markets in the public and private sectors, in both the UK and internationally, and having doubled in size through offering greater breadth of service, at the same time improving the quality of its earnings.

What should we expect from Murphy over the next 12 months?

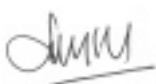
I see a few key areas, but my priority remains to deliver our ten-year plan. We have growing presence in the infrastructure markets and this will create new opportunities. As our pipeline of work increases, we need to maintain our bidding discipline and remain strict about our financial hurdles and other key performance indicators. Our leadership and structure will drive a more strategic approach to work winning; with increased focus on the big sectors which provide the greatest market volume and opportunity to match our financial ambitions.

Over the coming year, we are focused on continuing to improve the quality of our earnings, and will be reviewing our portfolio of businesses to reflect the changing demands of the market. A few key things that I see us building on:

- maintaining our integrated approach built on a self-delivery model, making sure we offer our services to help clients address their issues and concerns
- continued capital investment in plant and equipment, strategic land and relevant acquisitions
- increased support to our people – more investment in recruitment, training, development and retention of our employees
- developing the breadth and complexity of our offering by focusing on our four core sectors, while not losing sight of our regional markets
- developing industry-leading functional support to our operations, streamlining our back-office systems and processes, and developing relevant real time reporting.

Finally, we will continue to build on our 'One Murphy' team approach through a simplified trading structure and a matrix organisation.

Following strong results in 2015 and a strong platform for growth in coming years, I personally believe we are able to look to the future with confidence.



Steve Hollingshead
Chief Executive Officer

By 2025

As an infrastructure specialist, we are able to respond to the challenges of any project while making sure we provide our clients with a consistently high-quality service.

Operate in our chosen international markets and broad delivery across infrastructure sectors



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



Deliver safely, reliably and sustainably with respect for the environment



Increase our investment activities



Provide sustainable long-term careers for our people



Improve our profitability across a portfolio of products to at least 5% net profit before tax (PBT) growing to

10%

Generate sustainable revenues of £2bn per year



Direct delivery of works to strengthen relationships with our clients in all sectors



Deliver 'One Murphy'

Become an established Tier 1 provider in our four core market sectors of rail, power, water and natural resources

Creating value through One Murphy

As an infrastructure specialist, we are able to respond to the challenges of any project while making sure we provide our clients with a consistently high-quality service.

How we create value

To meet the twin goals of increasing the value of shareholder equity and delivering acceptable dividends on this equity, Murphy is focused on two principle sources of revenue:

- engineering and contracting services: primarily to the infrastructure market sectors and to a limited extent the building market sectors

- investment: in the plant and equipment required to support our engineering and contracting services and in a number of property and infrastructure assets, many of which also support our engineering and contracting services.



How we run our business

The business is managed through an integrated matrix structure: it trades with its clients under three streams – as a general contractor in the UK and Ireland through regions or major projects; as a specialist contractor and services provider nationally; and in international markets through bespoke arrangements.

Murphy's sales are led through group-wide sector leadership and business development managers. Its operations are supported and assured by group-wide professional functions and a number of specialist capabilities:

1. Operational leadership with strong functional support
2. Sector focused, client led
3. Developing our people
4. Engineered and innovative solutions
5. Investing in technology
6. Embedded safety culture.



Our vision and values

Our vision is reinforced by a set of core values that shape everything we do. They help us to manage our relationships with all of our stakeholders and will support us through the challenges of future growth.

One family. One team. One Murphy

- We work collaboratively to provide a seamless, integrated service to our clients.

Always deliver

- Our 'can do' attitude means that we aspire to deliver all of our projects on time, on budget and to high quality.

Never Harm

- We protect people, the environment and communities no matter where we are or what we are doing.

Continuous improvement

- Innovation is integral to our success and we look to make improvements in all aspects of our work. We continuously strive to improve.

Integrity – respect for all

- We conduct business in a transparent, honest and professional manner. We act with integrity and are trusted by all of our stakeholders.

Group

Operations North
Operations South
UK and Ireland

International
Marine
Pipelines

Specialist
Plant and transport
Building and development
Pipelines testing services
Piling and ground engineering
Structural steel fabrication

Four core infrastructure market sectors

We address the market in four key sectors – rail, power, water and natural resources – as well as potential regional opportunities. Sector directors lead the development of our business and position it to maximum benefit in each of these sectors.



Rail



Power



Water



Natural resources



Regional opportunities

Functional support

- Finance
- Transaction admin
- Commercial
- Engineering
- Estimating
- Human capital
- Safety, health, environment, sustainability and quality (SHESQ)
- IT
- Legal
- Planning
- Marketing and communications
- Project control
- Procurement
- Project management
- Design
- Building information modelling (BIM)

Specialist capability support

- Earthworks
- Rail
- Utility connections
- Pipeline testing services
- Pipelines
- Water treatment
- Overhead and Underground HV cabling
- Water and power distribution networks
- Tunnelling
- Electrical
- Plant and transport
- Marine
- Structural steel fabrication
- Highway and streetworks
- Bridges
- Piling and ground engineering
- Power transmission systems

What makes us different

Our unique business model is built on our development as an engineering contractor. We develop and deliver innovative and cost-effective engineering solutions. We invest in bespoke plant, equipment, facilities and processes of delivery. We directly employ, train and develop our own professional managers, technicians, operatives and tradesmen to deliver our products and services.

Four core infrastructure market sectors

We address the market in four key sectors – rail, power, water and natural resources. Sector directors lead the development of our business and position it to maximum benefit in each of these sectors.

Positioning the business for regional and one-off project opportunities, which are attractive to the business but which sit outside these sectors, is managed through our business development managers.



Rail: a track record of success

Over 40 years of delivering world-class infrastructure to the rail sector.

Farnworth tunnel at the breakthrough

Murphy's specialist teams have transitioned from relatively uncomplicated small value projects to delivering £220m a year in revenues. This has included some of the most complicated rail infrastructure projects in challenging environments. Our clients include leading rail businesses such as Network Rail, Crossrail and TfL, each with long-standing business relationships. These relationships are based on trust and our ability to constantly deliver and adapt to an ever-evolving market.

We deliver multi-disciplinary projects through our ability to manage their entire lifecycle. Specialists in 'early contractor engagement', our dedicated pre-construction teams work in collaboration with our clients to ensure we have a deep understanding of their required outputs and key drivers. Our teams are set up to offer maximum efficiencies, from the pre-construction stage to rail planning and temporary works design. These are all undertaken in-house to provide continuity and reduce interface management. Our accredited rail training centres and in-house vehicle technicians ensure our employees and our £100m+ of specialist plant and equipment remain unparalleled throughout the industry.

Our core competencies cover a range of specialist civil engineering disciplines within the rail sector. Our teams are experienced in the successful delivery of

bridge reconstructions, earthworks, building, rail, technology and major rail electrification programmes, with an ongoing portfolio of projects taking us into 2020 and beyond.

2015 project highlights

The £20.8m Farnworth tunnel project is part of Network Rail's £1bn+ investment in the railway to provide faster, more frequent, train services improving connections to towns and cities across the north of England. To allow electrification of the railway line, Murphy reconstructed the tunnel to give a larger diameter and allow room for the electrified overhead lines needed to power the new trains.

The project required the internal diameter of one of the tunnel bores to be increased, resulting in the first bored tunnel that Network Rail has constructed directly since the inter war years. With a 9m diameter, the tunnel is the largest on the UK rail network – larger than those constructed for Crossrail and the Channel tunnel. Murphy ensured the trains continued to run in the adjacent tunnel, only 1.5m from the works. The project was further complicated by the fact that the A666, a four-lane commuter route into Manchester, runs directly over the tunnel.

The project exceeded 200,000 man hours without any injuries.





Following a major landslide at Harbury in January 2015 which closed the busy Chiltern Railways line between Banbury and Leamington Spa, Murphy was engaged to undertake the necessary remedial works to get the line operational again. Murphy, working in collaboration with Network Rail and designers, constructed a plan to execute the works in an eight-week programme. Murphy's in-house plant and transport team quickly mobilised fourteen 30 tonne dump trucks and 67 tonne long reach excavators. Over the eight weeks, the rotated teams worked constantly 24/7 to excavate and remove 450,000 tonnes of failed material to the east of the cutting, three weeks ahead of schedule.

Murphy, in a JV, successfully completed the £260m Crossrail C310 Thames tunnel project on time, on budget and settled the account. The works formed part of Crossrail's £14.8bn investment and comprised a wide range of civil engineering disciplines. This included construction of two 2.6km long 6.2m internal diameter bored tunnels through difficult ground conditions running from Plumstead to North Woolwich. The main works were directly delivered by Murphy resources and included all portals, cross-passages and drainage works, achieving 873,764 hours accident-free.

Adapting to change

Our clients engage with us in a collaborative context to leverage the benefits Murphy has to offer – bringing in our expertise from the earliest opportunity.

In 2014, Network Rail procured its Control Period 5 (CP5) frameworks and Murphy successfully secured a five-year portfolio of bridge reconstructions, earthworks and building projects. This long-term work bank has allowed us to collaborate with our client and supply chain partners to deliver over £15m of efficiencies through early involvement and investment.

As one of nine CP5 contractors, we have shared best practice and innovation to

the benefit of the wider industry. Taking a 'best for project' approach to our business means our clients can trust us implicitly. Our leadership team acts with honesty and integrity to ensure we remain a trusted partner whom our clients know they can rely on.

Murphy's industry-leading Culture Development Programme has been implemented across rail, going beyond internal teams to rail clients and supply chain partners to create a unified safety culture ensuring 'everyone's home safe, every day'. We combine systems and processes with an open culture where everyone feels free to speak up for safety, to achieve our goal of zero harm, zero accidents and zero compromise.

Planning for the future

We anticipate the rail sector seeing unprecedented levels of growth over the next ten years, resulting in traditional contracting being unfeasible with a shift in procurement towards alliances and JVs. Murphy is ahead of this curve, with a number of partnerships in place to ensure we are best positioned to provide our clients with an unrivalled service.

We have been an early adopter of IT as a way of work, with leading edge systems to bring efficiencies to our clients. Murphy's expenditure in software and IT has included bespoke rail mobile applications and 3D laser scanning, making us an industry leader in the technology field.

We have an ongoing investment programme to ensure our people, our most valuable asset, receive a bespoke career training strategy with a clear succession plan. This is the backbone of our business and our core strength. The Murphy Academy has developed a bespoke Construction Supervisors Development Programme to deliver a qualified, experienced and capable workforce equipped to deliver the surge of rail infrastructure projects planned over the next decade.

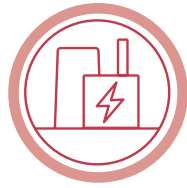


“Taking a ‘best for project’ approach means our clients can trust us implicitly”



From top: Reddish viaduct, Townley tunnel, Reddish viaduct (below)





Power: a dynamic market

Our capabilities range across traditional power, new nuclear and renewable energy.

Murphy's power team is highly successful in delivering complex power systems and engineering solutions for the national infrastructure power network, a market that has potential growth estimated at £200bn. In 2015 we continued to build closer client relationships and proactively responded to dynamic changes in commercial operations in the sector.

Our engineers provide a cost-effective, one-stop shop in the management, design, installation and maintenance of solutions in the transmission and distribution of energy. The team has identified and captured opportunities for growth within existing frameworks and clients, and also with new clients, particularly in renewable energy. This direction and focus have produced a significant yield in growth and complement Murphy's capabilities in other business sectors.

We have identified a growing need to update ageing energy systems in the UK, to ensure resilience and maintain security – to include new types of low-carbon energy generation, such as offshore wind, tidal lagoon, hydro-electric and nuclear energy. This presents significant opportunities to our business in the decade ahead, which we are well positioned to capture.

Total client solutions

Our primary operations in this sector include: the design and build of primary and secondary substations; major and minor underground circuit systems (using both traditional direct lay and trenchless solutions); civil and cable frameworks; and HV fault repairs. Our service capability is further enhanced by specialist activities such as: large-scale installation of structured cable management systems; conductor, plant and equipment within the confines of complex deep tunnels; open copper grid sites; and operational rail infrastructure.

Murphy has an established reputation and strong track record in providing clients with turnkey project solutions for power systems operating across the entire UK spectrum of voltages ranging from LV/HV up to, and including, 400kV.

Our power team has maintained a rigorous programme of planned construction works. This includes a wide and varied range of operations delivered through long-term frameworks with National Grid, Northern Powergrid, Western Power Distribution, London Underground, UK Power Networks, and Southern Energy Power Distribution. One-off tendered or negotiated opportunities were also achieved within the renewables sector with clients such as DONG Energy and Vattenfall.

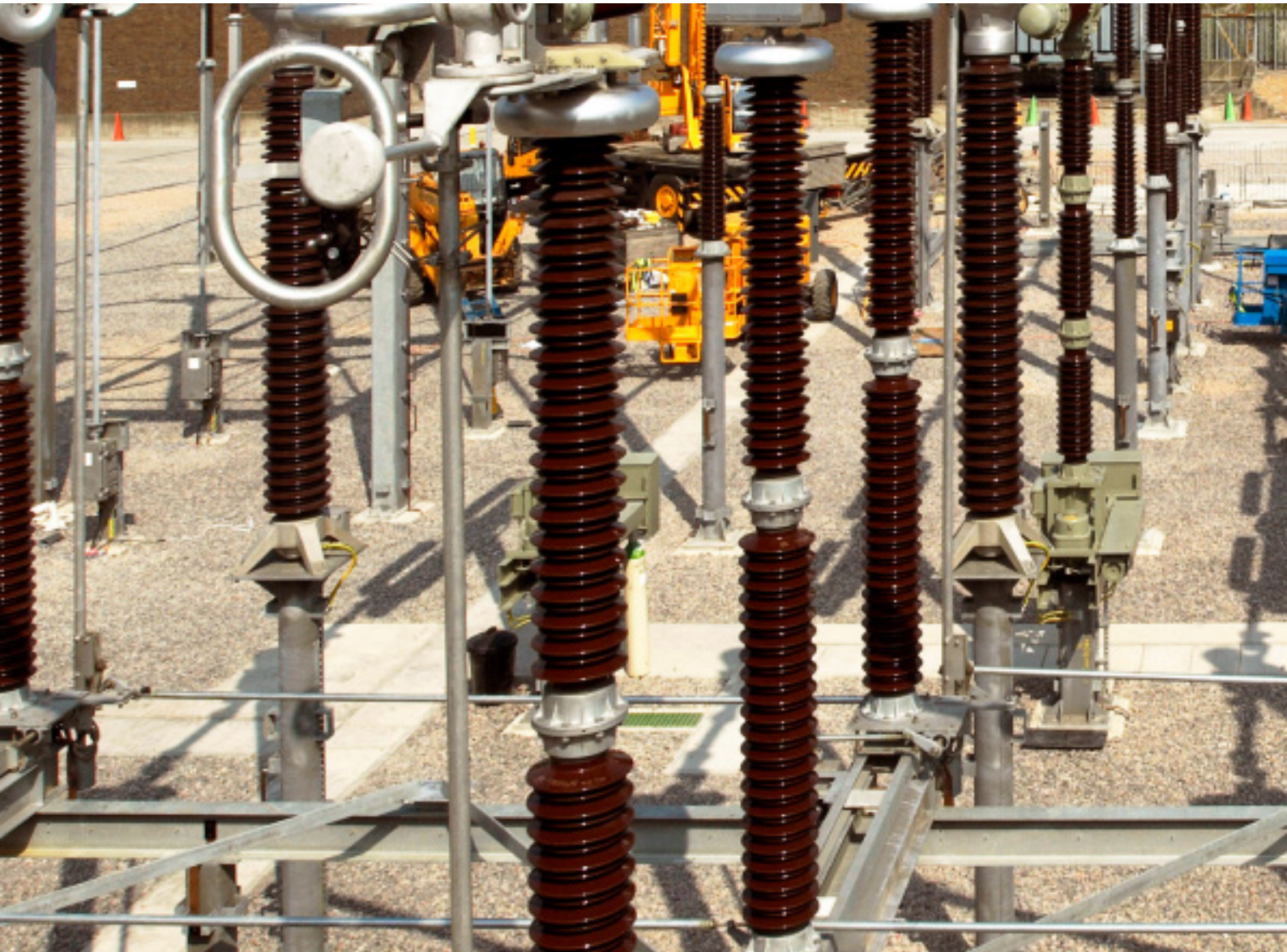
Mobile batching plant at Melksham







Substation work for National Grid



“The objective for our power team has been to pursue creative solutions through further expansion into the renewables sector.”

Projects include the £650m National Grid framework, substations, power and civil engineering for London Underground, and a 132kV framework in Scotland.

Transmission network companies are currently constructing major projects valued at approximately £4bn, which will deliver approximately 10GW of network capacity by mid-2018.

Fundamental to our approach to this current growth initiative are our basic principles of engagement. This means maintaining discipline in terms of how we operate and manage the business. It means selecting projects that dovetail with our core skill-set and offer opportunities for repeat business. It also means managing prospects and risk within comprehensive commercial terms.

Our ten-year business plan has increased our focus and awareness of our capability both internally and externally. An active employee engagement programme is under way with the new direction ensuring long-term continuity. We also maintain our commitment to ensuring our workforce goes home safe every day, through the Murphy ‘Never Harm’ Culture Development Programme.

Challenges and change

Challenging global economic conditions driven by falling crude oil and commodities prices have resulted in caution and conservatism from clients as they seek to maximise returns on investment. The objective for the Murphy power team has been to pursue creative solutions through further expansion into the renewables sector.

The team has conducted a thorough review of market conditions and trends, including an analysis of government regulatory frameworks affecting the industry. Focus and spend within the renewables sector have increased, with a keen interest in DC interconnectors, while nuclear remains a

slow burner with concerns in relation to investment and government support.

The result of this at Murphy has been active engagement and enhanced relationships with renewable energy companies such as windfarm developers DONG, Vattenfall and Scottish Power/Iberdrola.

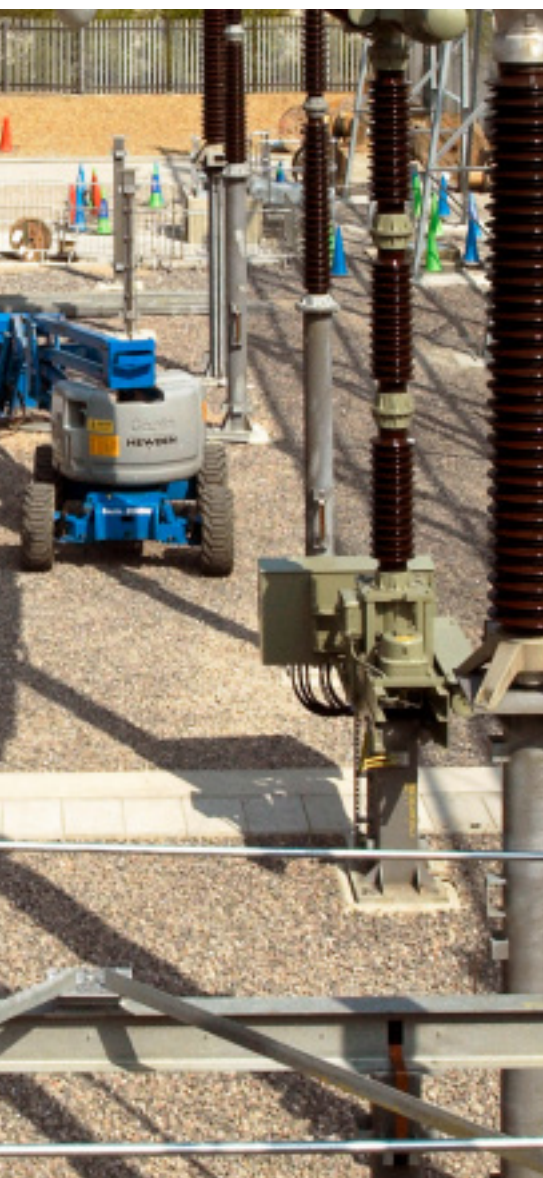
At the same time we have aligned ourselves with original equipment manufacturers who consistently seek to embrace emerging technologies with huge research and development facilities. The team tracks government support and spending initiatives that indicate where resources should best be allocated.

This is a clear, defined strategy that maximises the processes and resources that currently exist in the north east and southern regions as well as growth and opportunities in international markets. This includes a market risk analysis for potential power-focused opportunities in the Australian market.

New directions in sustainability

With spend on renewables in the UK set to top £82bn by 2021, Murphy will continue to focus on the targets identified in our sustainability roadmap, namely to deliver low-carbon solutions for clients, while driving down costs. The team will build even closer client relationships and stronger industry awareness through involvement in client working groups and industry trade bodies, and will actively focus on innovation and delivery.

Growing interest in renewable energy means exciting opportunities for growth, with rapid increases in renewable generation capacity. There has been more than £30bn of investment in the UK in renewable technologies since 2010 and significantly more is planned.





Water: responding to fluctuations and changes

Our depth of knowledge and experience in water and wastewater engineering underpins all our projects as we continue to maintain the efficiency of the country’s water services. We pride ourselves on early contractor involvement, through design, construction, commissioning, operations and maintenance (O&M).

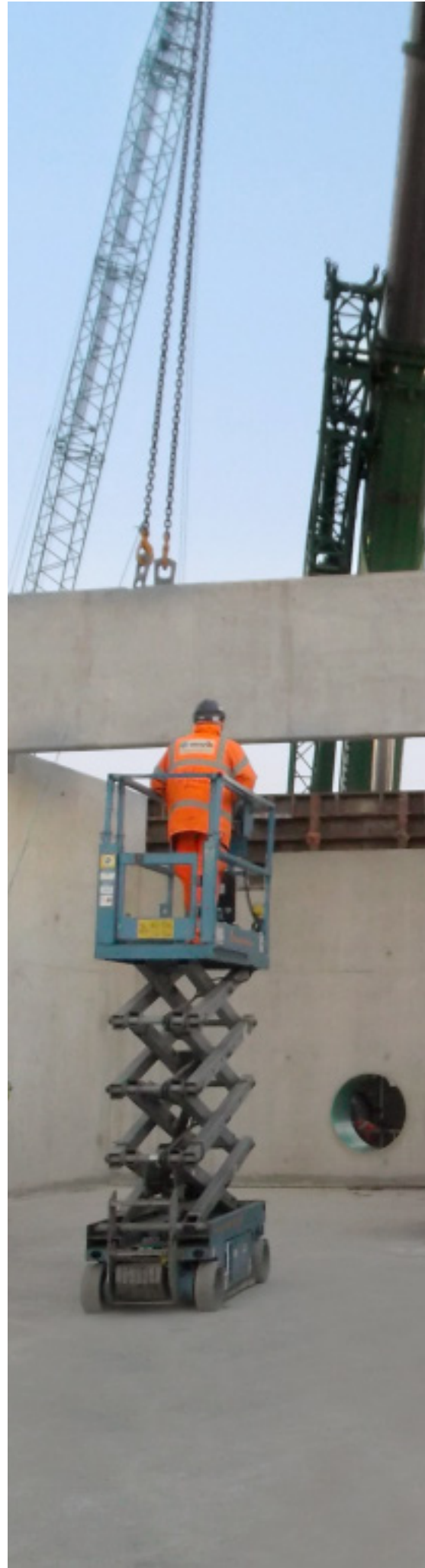
The UK and Ireland regulated and non-regulated water markets are currently valued at £10bn per year. Murphy is a dynamic presence in these areas. However, the sector continues to mature: launched in 2015, the AMP6 five-year asset management programme places UK water companies under increased pressure to improve efficiency, while also achieving improved drinking water and wastewater effluent quality. It is an initiative that is being driven by regulators, customers’ expectations and increased competition within the water industry. Current figures value the UK water sector at £44bn for AMP6 to 2020. At the beginning of 2015, Murphy’s share of this market stood at 2%.

With an eye on sustainability and long-term growth, a vital aspect of AMP6 has been a shift from capital expenditure (CAPEX) to total expenditure (TOTEX) budgets on projects. Water companies are also now seeking to review operational expenditure (OPEX), lessening the financial impact on the consumer. For Murphy it is a period of opportunity and change. Murphy has worked with capital programme delivery organisations in many of the UK’s water and sewerage companies, with key supporting functions such as engineering, project management, commercial, operations, finance and legal, as well as key stakeholders in the supply chain.

These interactions have given us an insight into the issues and challenges faced by the industry in delivering the AMP6 CAPEX programme while it also prepares for the new challenges of AMP7 in four years time.

In 2017, all non-domestic properties with water consumption of less than 5 million litres per year will be free to select their water and wastewater service providers. Although the change will not fundamentally affect wholesale services or network provision, the impact could be very significant and may produce a consolidation of supply businesses, as well as new entrants.

In 2015 the UK Treasury announced that the domestic market may be opened up to competition as early as 2020. There will be a distinct shift in focus by the wholesale businesses from satisfying millions of individual or smaller customers to fewer but larger customers. Customers will become the ‘owners’ of retail businesses, leaving the wholesale business to operate and maintain the upstream assets with greater efficiency and flexibility to invest. The market trend will be towards a merger of water and wastewater retail businesses in the water-only company space to provide customer facing services. For example, United Utilities and Severn Trent Water



Deephams sewage treatment works



have formed a 50/50 JV in 2016. This will leave some water-only companies to look after their upstream wholesale business, creating opportunities for asset ownership and O&M models.

Murphy recognises the need to be less reliant on the municipal water sector alone and to seek opportunities that include both infrastructure and non-infrastructure projects and frameworks. The water team has already identified target clients in the broader water sector such as industry, ports and marine, and environmental flooding alleviation, with asset ownership and services including O&M.

Opportunities for Murphy will be through partnerships with retailers who secure significant contracts across the UK and develop non-regulated businesses. While water retailing is the entry point, with connections and services being provided by the retailer, these contracts could develop into additional larger-scale projects such as pipelines and anaerobic digestion plants under design-build-operate models.

Transforming markets

Murphy has identified the importance of maximising the performance of the current AMP6 frameworks with Bristol Water and the Thames Water Infrastructure Alliance including eight20.

Murphy's AMP5 capital investment framework with Thames Water has continued into 2016, with completion due in the fourth quarter. The AMP6 Infrastructure Alliance framework began at the start of 2015, and is a 15-year project which will transform Thames Water's delivery model into a fully integrated alliance with a potential value to Murphy of £40m per

year. Works are primarily OPEX driven, centred on leakage activities and delivering excellent customer service. Murphy has built up a strong relationship with eight20 based on the reliability of delivery and cost management. Thames Water's AMP6 model is pursuing a clear customer-centric operation and is creating an environment which drives this behaviour through fully integrated co-located alliances.

In 2015 Murphy secured new clients which included Affinity Water.

In 2013 Murphy and equal JV partners Kier and AECOM secured a £200m contract to rebuild Deephams sewage treatment works for Thames Water. Following initial detailed design, significant construction activities were carried out in 2015 to deliver the first phase on time to meet Thames Water's regulatory obligations.

Murphy will continue to identify and secure AMP6 individual competitive contracts across the UK with companies such as United Utilities and Yorkshire Water, and anticipate re-procurement of further frameworks during AMP6. The water team is developing client relationship management plans and a focused approach to national business development and proposals. There are opportunities to position Murphy for frameworks and Tier 2 specialist contracts in water's regulated and non-regulated sectors – a commitment to the national transformation of the business into a matrix organisational structure.

Murphy is poised to both respond to changes in this dynamically changing marketplace and capture the many opportunities it represents.





“Murphy is poised to respond to changes in this dynamically changing marketplace.”

Current value (bn)

£44

of UK water sector for AMP6

AMP6 Infrastructure Alliance (£m)

£40

potential value to Murphy

Deephams sewage treatment works





Natural resources: opportunities for growth

Murphy has been working in the natural resources sector for many years, notably in oil and gas, and nuclear. We have the experience and knowledge to take on decommissioning projects through to maintenance and renewal programmes of existing assets.

The natural resources market remains a sizeable enterprise for Murphy, comprising mainly oil and gas with subsidiaries in marine and nuclear worth approximately £35bn per year, approximately £1bn of which forms Murphy's target market.

The sector will continue to invest in, and renew, its infrastructure assets to service ongoing demand both within the UK and internationally. However, the sector is subject to many domestic and international factors that cause fluctuation in the market including the balance between supply and demand, the OPEC barrel price, macroeconomic and geopolitical situations and changes in global financial markets.

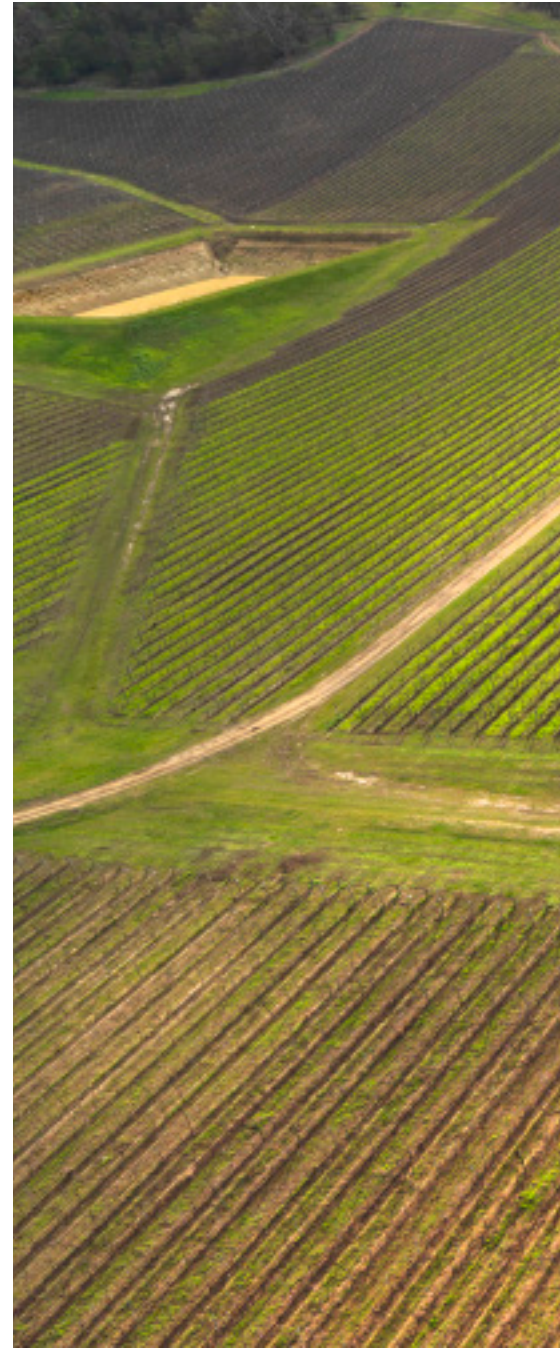
2015 continued to see erratic economic activity around the world combined with a general trend towards alternative energy sources, with renewables taking market share from gas in particular. However, the demand for stable and secure energy will continue to grow year-on-year, due to the increase in demand from the world's population and the maturation within developing nations.

There is sustained demand for energy for transport and household consumption. However, a large proportion of the existing global infrastructure for extracting, processing, storing and distributing oil and gas is reaching the end of its useful asset life.

Identifying opportunities

With the global oil and gas sector worth more than £500bn per year, there are significant opportunities for Murphy from decommissioning, maintenance and renewal of ageing assets. Murphy has a world-class reputation in pipelines and there is an opportunity to develop more multi-sector work on the back of this reputation. Currently the four main work streams are oil and gas in the UK and Ireland, oil and gas internationally, decommissioning, and nuclear.

To meet enhanced margins and revenue growth objectives, Murphy's share of the natural resources market needs to grow year-on-year over the next ten years with forecast revenues predicted to grow from £112m per year in 2016 to £300m per year in 2025 (including international opportunities). Within key markets there is a transparent, diverse and viable pipeline of opportunities, both within the UK and internationally.



Gas pipeline projects



In order to achieve the forecast revenue growth and increase our market share, we will focus on improving our relationships with our existing main clients. We will also focus on identifying possible new work streams that match our financial ambitions, and continue to research possible new territories which provide opportunities to deploy our unique range of products and services in the UK and internationally.

Strategic partnerships

Across the natural resources sector there is a common theme during procurement to transfer risk from the client to the contractor, with full engineering procurement contractor type contracts now the norm. This transition also supports Murphy's objective of forming key JVs and partnerships with other companies to offer enhanced services with reduced risk. Some of the individual opportunities forming part of our business plan for measured growth include:

- asset health maintenance programmes
- North Sea decommissioning
- major infrastructure upgrades
- terminal upgrades and decommissioning
- nuclear.

The team's ambitions are supported by a series of key actions to achieve its objectives over the next ten years. This includes establishing a number of joint venture partnerships to strengthen offerings and capabilities. It is a long-term strategic decision to increase the delivery portfolio while reducing risk to Murphy. We will continue to raise the profile of the Murphy brand in this sector, prioritise core customer leads and improve our market intelligence in emerging markets.

There is a stronger focus on increasing Murphy's marine portfolio to encompass a broader offering within existing disciplines. We will increase our presence in overseas territories to take advantage of the changes in the global oil and gas and nuclear markets.



Beckton Combined Heat and intelligent Power (CHip) plant



“Murphy’s share of the natural resources market needs to grow from £112m per year in 2016 to £300m in 2025”

Plant and transport

Murphy owns, manages and maintains
a substantial portfolio of plant and transport.
This is valued in excess of £100m.

In 2015 our plant and transport business generated sales of £82m in plant hire across the organisation. Currently 61% of our total plant hire in value is to Murphy projects and businesses and 39% is in re-hire.

Ownership of plant and transport provides us with considerable ability to mobilise quickly in providing flexibility to accommodate clients and a project's ever-changing needs. We maintain a continuous investment plan in plant and transport that provides the most up to date technological advancements in our fleet through our procurement process while also monitoring the age profiles of plant across the fleet.

Project highlights

Significant projects this year included the Deephams sewage treatment works in Edmonton, North London, which saw the application of seven crawler cranes as well as a significant amount of operated and non-operated plant as part of the JV requirements. The Harbury cutting project, near Leamington Spa, required rapid mobilisation of site accommodation, plant and equipment and 24-hour site support. Further demonstration of the 'One Murphy' approach was in evidence during our work on Farnworth tunnel where the team designed and built a job-specific excavator attachment that reduced manual handling by 100%.

Improvements and innovations

The team continues to innovate across plant and transport; highlights from 2015 include:

- all Murphy HGV vehicles were fitted with close proximity safety equipment such as side-scan detection cameras and warning systems
- a range of 'safe urban driving' courses have been introduced to provide practical on-road training for our drivers to ensure they possess a clear understanding of how a safe and efficient fleet operates
- the design of clam shell buckets was adapted to allow rocks to be carried more safely and reduce the number of potential near misses
- at the Welwyn tunnel, a newly designed rail trolley with drill attachment increased production by reducing the hand arm vibration (HAV) trigger times
- simple modifications to the Murphy fleet of vehicles have significantly reduced the number of vehicle thefts, particularly in London.

In 2016 and beyond, one initiative the business intends to capitalise on is the trenchless cable laying technology developed during our recent Melksham project, as outlined on page 45. This is an excellent example of how plant and transport innovation has brought practical and sustainable benefits.

As part of the ten-year plan for Murphy, tunnelling plant was incorporated into the division and regional depots were brought

closer together, increasing collaboration across the business. Business reporting methods were also simplified, increasing transparency on expenditure, product returns and details of internal and external plant hire.

Environmental sustainability

Murphy holds a gold status from the Fleet Operator Recognition Scheme (FORS) run by TfL. FORS is an industry-led voluntary scheme for fleet operators and its purpose is to raise the level of quality and performance within fleet operations.

Through demonstrating self-improvement and best practice in fleet operations, Murphy progressed from silver to gold status in 2013 and has continued to hold this level. We have continued to improve the sustainability of our fleet operations by achieving a significant reduction in fleet emissions and making considerable safety and sustainability improvements. This is detailed further in the sustainability section of this review.

With new additions to the crawler crane fleet, Murphy has embraced the latest environmental technology. The G-mode on all new Kobelco cranes has reduced fuel consumption by up to 25%, reduced CO₂ emissions and has an auto idle stop function for ECO driving – which is an industry first.

Crowning the year was Murphy apprentice plant mechanic Joe Quinn who took 'Star of the Future' at the Construction Plant Association awards.

Piling and ground engineering

Murphy is a recognised name in the specialist piling and ground engineering market, offering nationwide technical innovation and expertise. Our impressive track record means we're the first choice for many high-profile contracts.

In 2015 Murphy celebrated 50 years of piling and ground operations with turnover at an all-time high, outperforming expectations. Pleasingly, the business also achieved an order book of secured work for 2016 at almost 50% of the budget. Market confidence led to board approval for significant investments in plant, people, design capability and the relocation of the piling maintenance depot from Kentish Town to Hemel Hempstead.

Murphy has been proactive to raise the profile of its piling and ground engineering capabilities both externally and within the organisation.

By the end of 2015 the business unit had completed more than three projects a month, all resulting in a positive cash and profit outcome.

A track record of delivering

Piling and ground engineering capabilities are founded on an ability to deliver projects where others cannot. Murphy has developed and maintained a direct delivery approach for projects, providing an adaptable team that can mobilise and deliver works to suit changing environments. The ability to enhance customers' works allows the team to bring greater value to projects, improving safety, reducing programme times and saving money.

Despite measured enquiries in the initial quarter of 2015, the UK General Election was followed by a renewed demand for piled foundations in the residential and commercial markets. Enquiries increased in excess of £1.2m per month and Murphy witnessed a growth in contract value on all projects. As part of an ongoing fleet renewal strategy, and in response to

market demand, the unit invested in two rigs for continuous flight auger works including a Casagrande BX175 and Soilmec SF50 and enhanced its large-diameter auger (LDA) piling with the addition of a new Bauer BG26.

The Elan Valley aqueduct project, a scheme Severn Trent Water and partners Barhale/NMCNomenca are undertaking, demonstrates Murphy's ability to compete and deliver large-diameter auger piling works for key infrastructure projects. In addition, in London, Murphy secured a further phase of the Woodbury Downs development with Berkeley Homes, collaborating with the designer to find the optimum design solution and best value for the project. This has led to a value enhanced approach that Murphy can offer through the internal geotechnical design capability available in-house.

In the Republic of Ireland, demand for piling remained constant and Murphy continued to capitalise on its capabilities with opportunities in the wind power and energy sectors. UK and Irish operations have now been consolidated into one core team reporting directly to the Murphy EMB.

Opportunities for growth

As Murphy strengthens its market position in the UK residential and commercial markets and the Irish infrastructure markets, we envisage potential growth opportunities in key infrastructure projects surrounding HS2 and Crossrail 2. We are continuing to invest in instrumentation and monitoring in order to capitalise on our experience from the tunnelling and rail markets as well as growing the footprint in LDA.

Rembrandt House, Watford



Highways, public realm and security

Complete delivery is what sets Murphy’s highways, public realm and security team apart from its competitors. We combine decades of knowledge and experience with current best practice to achieve exceptional results.

Murphy’s highways, public realm and security team has operated in London for more than 40 years, earning it a ‘London-centric’ expertise that is unrivalled in the industry. Central London is a challenging environment in which to operate with numerous stakeholders and demands. We are able to manage expectations, balancing them with the requirements of schemes to ensure a seamless transition from design to construction, providing confidence in our programme deliverables.

The team’s capabilities are founded upon our complete delivery model, from feasibility through to construction. We are able to draw on the vast infrastructure resources and skill sets within Murphy to bring a complete overarching service to meet clients’ needs. These include utility connections and diversions, stakeholder management, traffic management systems and building structures. It is a holistic approach, delivered via an organisational structure founded on experienced management and skilled delivery teams who operate with honesty and integrity.

Historically the highways team focused on high-profile local authority term contracts in central London. One consequence of the economic downturn was a reduction in spending coupled with a drive towards more economical solutions. The team has responded by focusing on prestigious individual projects rather than long-term contracts.

Flexible working to meet clients’ needs

The St James’ Market project, a public realm scheme for Balfour Beatty and The Crown Estate, demonstrated our abilities in managing and delivering a high-profile public realm scheme to a tight programme within a congested environment. Murphy programmed and sequenced the works using innovative techniques to ensure the works could progress while maintaining vehicular and pedestrian access. The team also managed and co-ordinated the utility companies’ access for the works, ensuring no delay to programme and no abortive works, while ensuring the highest quality finish.

A team experienced in prestigious developments

The team continues to be at the heart of some of the most prestigious developments in the capital including public real schemes for The Crown Estate in Regent Street, Grosvenor Estates in Wilton Row, Cadogan Estates in Sloane Street and Mace in Hanover Square. New client and project wins include a one-year extension to our existing term contract with the Royal Borough of Kensington and Chelsea, a Northern Estates contract for the Parliamentary Estates Directorate, Regent Street for The Crown Estate, and St James’ Market/Camberwell Library for Balfour Beatty.

As part of the Murphy ten-year plan, the team has undergone a transitional restructure with the appointment of several key personnel, who have injected fresh ideas into the business. This has allowed the team to become more flexible to the challenges that lie ahead.



St James’ Market, London

Building

Murphy's building business provides a range of in-house skills to deliver projects for public and private sector clients.

Murphy's building business delivers residential, educational, commercial, medical, industrial, retail and refurbishment projects for public and private sector clients. Its in-house skills include management, architectural and engineering services, enabling the business unit to offer a seamless service to clients. Murphy delivers each project on time and to the highest quality, whether it's a 'fast track' shell and core office building, intricate refurbishment or simple fit-out. It operates under a traditional contract, on a design and build basis or as works packages on major schemes.

This year, the business has performed well, with an increasing number of opportunities in the private sector, as well as an expanded profile in the London local authority market. The business has completed 53 apartments in two projects in Islington, the refurbishment of a 50,000 sq ft educational college in Holloway Road, and residential units and 25,000 sq ft of office space in Shoreditch. In addition to new build residential, mixed-use and commercial

developments, the building team has a strong background in the education sector and recently completed a number of primary school schemes for Enfield Council, including the extension, refurbishment and addition of new modular buildings at Prince of Wales Primary School. The team also completed the first phase of a circa £10m redevelopment of Garfield Primary School, working in conjunction with Elliott to provide new large-scale modular buildings and extensive substructure, cut and fill groundworks, retaining walls, RC podium structures, new drainage systems, infrastructure and external works, substantially self-delivered through our innovative, capable and experienced direct workforce.

The building team also has a fantastic track record of delivering excellent planned maintenance contracts for local authorities. We recently completed a number of fire upgrades for Southwark council as part of the 'warm, dry, safe' programme involving extensive improvements to existing housing stock across the borough.

Public-private partnerships

Murphy is constantly seeking private-public finance partnership with councils and local authorities to provide building solutions that combine residential and retail or commercial. At Dalston Lane, Murphy has started construction of 44 apartments and 10 retail units in conjunction with the London Borough of Hackney. The borough retains the 10 retail units and the proceeds of the sale of the apartments to finance the cost of the site and its construction. The first 20 units will be ready for sale in 2016. This pilot scheme will act as a blueprint for future initiatives.

The team continues to benefit from the UK economic recovery and the higher quality and lower risk of new work is paying dividends. Its capabilities have been strengthened as it seeks to grow turnover and scale of operations, adopting a more selective approach to new work and increasing profile in the London market.



Hiview House, J. Murphy & Sons Limited head office, London

Investment and development

Building on our construction expertise, our property team is expanding into development and letting, securing opportunities in both commercial and residential sectors.

Murphy excels in the core business of infrastructure and construction projects. To complement these activities, it also has a specialist property arm that taps into property development and letting, in both the commercial and residential sectors.

The development team concentrates predominantly on non-speculative opportunities, with a focus on pre-let and forward sold developments and JV arrangements, thereby reducing the associated risk and demands on group cash.

On the residential side the team has performed well. The activities are focused on both private house sales and working with local authorities, housing associations and other clients on building mixed tenure affordable housing.

The property arm is able to create opportunities for other divisions and offer integrated solutions for our clients; cash

generated by our contracting activities is invested to generate additional returns which collectively translate to improved shareholder returns.

A healthy portfolio

Murphy already retains a healthy property portfolio, many located on former depots or brownfield sites in prime areas of urban development. It is important that these sites be utilised to their full potential.

Murphy now seeks to actively develop and manage property on behalf of clients as main contractor, joint partner or co-developer.

In the lettings sector Murphy provided a 465,000 sq ft site adjacent to the M1 motorway to online retailer Amazon, while the 16 units at the 5,000 sq ft development at Delancey Street extends the portfolio into the commercial sector.

The company is in consultation with two organisations interested in pursuing JVs.

We are seeing rising demand for industrial space. The focus will remain on predominately non-speculative and pre-let opportunities and the continued recycling of mature assets. The division will continue to generate opportunities for our building team and assist clients to create value from under-utilised assets.

The London and South East demand for all forms of housing continues, and the changes to the planning process recently announced are aimed at accelerating and simplifying the decision-making process. The team is well positioned for 2016; partnership housing and mixed tenure will be a key part of our housing activities.



Solstice Point,
86-88 Delancey Street, London

Sustainability: our journey so far

Behaving sustainably plays a central role in all of our activities. Whether we are working with clients on new approaches to reduce the carbon footprint of a project or going the extra mile to improve facilities for a local community, at Murphy we expect to be judged by our actions.

Although we did not begin reporting extensively on sustainability until 2014, our business ethics and practices have always been centred around the fundamental principles of safety, quality and reliability. With growing interest from stakeholders for more detailed performance data and information on sustainability, we have significantly expanded the way we communicate our progress, as this Business Review illustrates.

Steve Hollingshead
Chief Executive Officer

A compass to guide our company



“As a company providing resilient infrastructure, we recognise the significant role that Murphy has to play in improving society.”

John Kinirons
SHESQ Director

To ensure that our operations focus on the aspects of sustainability that are most important to our stakeholders, our sustainability agenda is underpinned by the Murphy sustainability roadmap. Modelled on three ‘pillars’, people, planet and profit, the roadmap provides a structure for measuring, managing and reporting the areas of greatest impact or influence. More than this, it also acts as a compass to help guide our company towards even better performance and customer service.

The roadmap is sponsored by the Murphy board, with individual members taking responsibility to deliver on each of the 12 focus areas. Active involvement of board directors in the development and implementation of the roadmap, ownership of the data reporting framework and accountability for performance helps to ensure that sustainable best practice becomes integral into everything we do. As a group we remain committed to delivering on the targets made in the roadmap and are making steady

progress. This needs to be embraced by every employee, supplier and partner – whether board director or site operative.

There is significant work still to be done in some focus areas, notably in the development and diversity of our workforce, supply chain management and communication; however, in some areas of sustainability we are out-performing the sector significantly. In particular, our activities in innovation, carbon reduction and health, safety and well-being are acknowledged by independent external bodies, such as the Carbon Disclosure Project, as exemplars in the engineering, construction and infrastructure industry and within the wider business community.

“We are constantly improving our own business as well – whether it is an innovation that becomes part of project delivery, our unique Never Harm Culture Development Programme or continuing to reduce carbon emissions.”

Sustainability roadmap



Short, medium and long-term targets and key performance indicators are agreed annually by the Murphy board for each of the focus areas.



Training days

200+

training days were delivered by the Murphy Academy. 2,047 people took part in these



Greenhouse gas emissions

32%

reduction against our 2010 baseline figure. 2015 is the third consecutive year this figure has reduced



Never Harm

70%

Our accident frequency rate has improved by 70% against our 2009 baseline figure

Reducing our carbon footprint

A commitment to reducing the impact on the environment we work in is central to our values. Murphy works hard to reduce this impact and operate as sustainably as possible.

Continuing our carbon reduction programme

Greenhouse gas (GHG) emissions were reduced for the third consecutive year in 2015. Relative CO₂ emissions (CO₂e/£m turnover) fell by 3.2% against 2014 and have reduced by 32% against our 2010 baseline figure.

As we own and manage the vast majority of our fleet of vehicles and plant, the largest single contributor to GHG emissions is fuel. As a consequence, our choice of vehicles and influence on driver behaviour via our in-house training paid significant dividends once again in 2015.

Over the past seven years our approach to carbon measurement and management has developed into one of the most robust, and successful, in the sector. We achieved our original five-year carbon reduction target

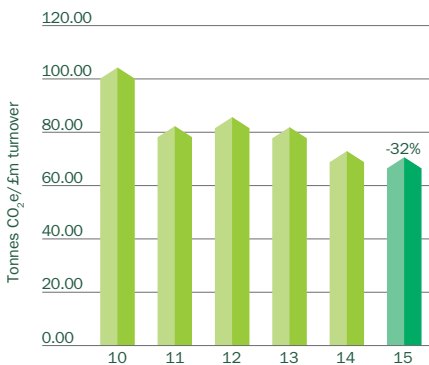
within four years, encouraging the board to raise the target to a 40% reduction by 2020, against our 2010 baseline figure (as on page 41). We are already three-quarters of the way there, with five years left to go. The target will therefore be reviewed again in 2016.

This outstanding performance in carbon reduction has been recognised by CDP, which awarded Murphy a score of 94/B for its 2015 disclosure. Murphy's performance was also rewarded in 2015 with a gold Green Apple Award in recognition of our carbon reduction. Of course, in addition to external recognition and a contribution to reducing climate change, the 32% reduction in emissions delivers a significant financial advantage. The 39,000 tonnes of carbon saved since 2010, equate to 14 million litres of fuel, or approximately £12m.

Murphy continued to upgrade its plant and assets with more energy-efficient alternatives during 2015. Hybrid power pods, used to optimise generator efficiency, were trialled initially across 18 projects. 22 tonnes of CO₂ per week have been saved using the pods; they also reduced noise normally associated with conventional generators making them ideal to use in residential areas.

Further energy-saving measures implemented during the year included using 240 eco-cabins for site accommodation, which return savings of around 70%, compared with conventional cabins.

GHG scope 1 and 2





Reducing our carbon footprint and improving road safety

Joined-up thinking helps to reduce our carbon footprint, while also improving road safety.

To help reduce emissions, 1,900 Murphy commercial vehicles have been fitted with trackers to monitor driver performance and ensure a maximum speed of 70mph. Driver awareness campaigns have also been run, to encourage energy-efficient driving.

In 2015, 20% of our fleet of 610 company cars had zero-rated vehicle tax (emissions under 100g/km CO₂) and 60% of the entire fleet is under 110g/km. Three electric vehicles and 27 hybrid vehicles have also been added to the Murphy fleet.

The vehicle tracking systems have undoubtedly improved driver safety, with road traffic accidents reducing by 18% in the four years to 2015. The systems have also cut emissions.

Driver awareness

1,900

commercial vehicles fitted with trackers to monitor driver performance

“To continue to be successful we need to be even faster, more efficient and more customer focused. Understanding how we can deliver projects more sustainably helps us in all these aspects.”

John Kinirons
SHESQ Director

Carbon Disclosure Project (CDP) score 2015: 94/B (2014: 94/A)



The Carbon Disclosure Project is a UK organisation which works with shareholders and corporations to disclose the GHG emissions of major companies. CDP works with 3,000 of the largest corporations in the world to help them ensure that an effective carbon

emissions/reductions strategy is made integral to their business, through the collection of self-reported data from thousands of companies.

Keeping a step ahead

Constantly improving our sustainability performance across all aspects of our people, planet and profit roadmap calls for constant innovation. The balance between applying tried and trusted systems and procedures, and introducing new ways of problem-solving is not always easy to achieve. However, we do believe that innovation is key to keeping ahead.

Innovative engineering can improve the sustainability of a project. An excellent example is the work undertaken nationally as part of the electrification of the railway network. By the end of the programme in 2017, 110 bridges will have been raised in height. Innovative construction and installation methods have been used, including around 70% of off-site construction and the use of self-propelled mobile transporters. The result is a reduction in reconstruction time

from 54 hours per bridge to an average of 30 hours – even down to 16, in some cases. Over-running and wastage have been cut dramatically. As well as the commercial benefit to the client, the environmental benefits are significant. Off-site construction has reduced the carbon footprint and minimised material waste.

Communicating with stakeholders

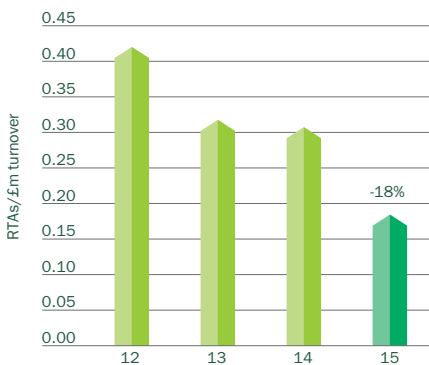
When individuals and teams understand the reason for doing something, they become engaged in the process. At Murphy, we know how important it is to communicate a vision, plan and purpose to everyone. This is why we published the Murphy sustainability vision in early 2015, to help set out our sustainability agenda for every employee. Later in the year we published our ten-year plan. This explains clearly and concisely how our business is going to develop over the next decade. Significant use continues to be made of

the sustainability section of our website, which was expanded and updated during 2015 to deliver best practice examples to internal and external audiences.

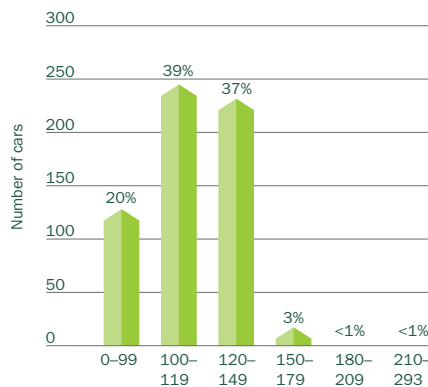
“To be sustainable, you need to be in business for the long term. That means you need to make a profit. The financial performance of Murphy is linked directly to how we manage resources and our supply chain, as well as how we deliver projects on time to satisfied clients. Our sustainability strategy recognises not only the need to operate profitably, but also the important contribution that a profitable business can ultimately make to society and the environment.”

John B Murphy
Managing Director, North

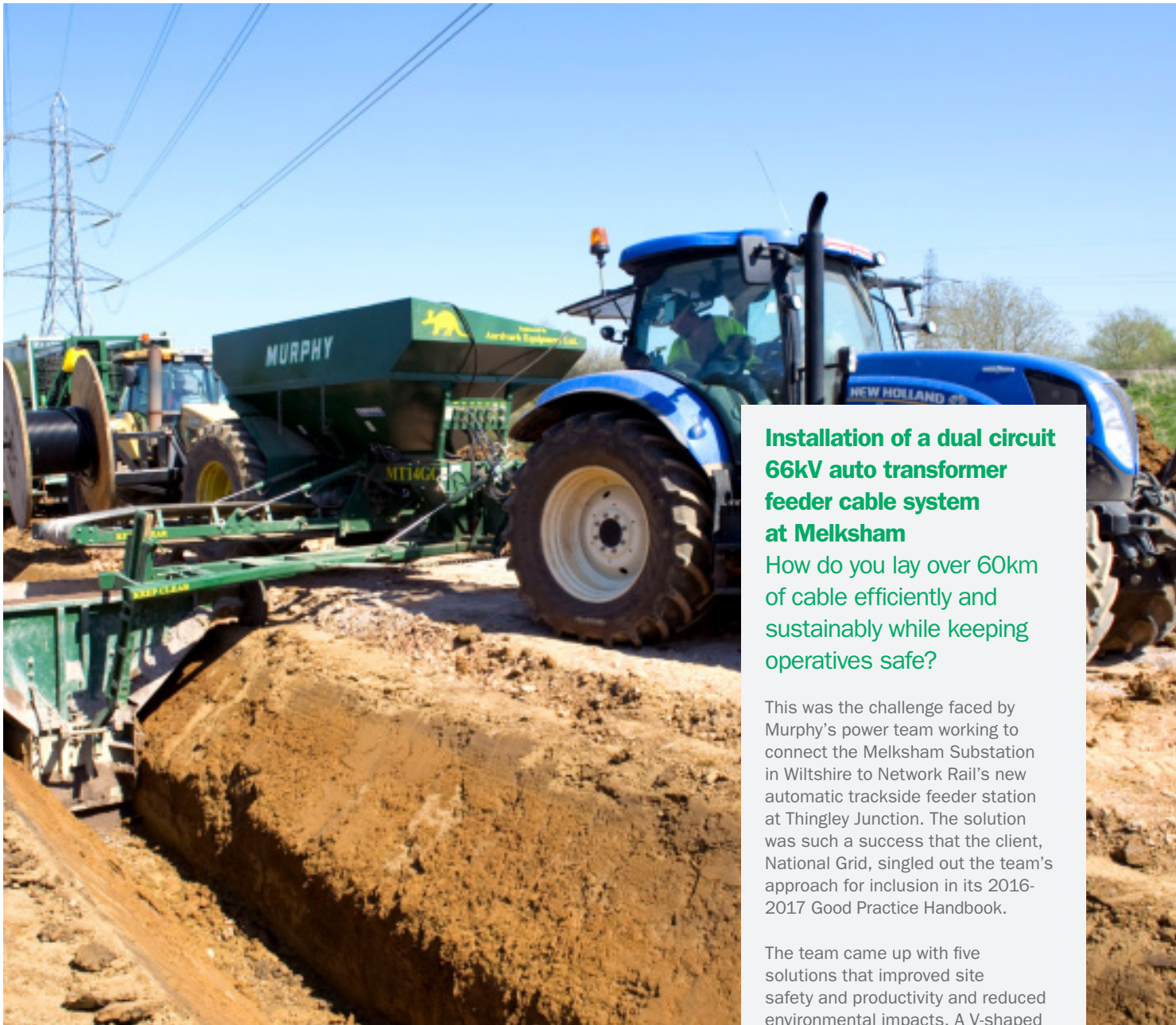
Road traffic accidents



Company cars emissions



20% of cars are under 100g/km CO₂e



Installation of a dual circuit 66kV auto transformer feeder cable system at Melksham

How do you lay over 60km of cable efficiently and sustainably while keeping operatives safe?

This was the challenge faced by Murphy's power team working to connect the Melksham Substation in Wiltshire to Network Rail's new automatic trackside feeder station at Thingley Junction. The solution was such a success that the client, National Grid, singled out the team's approach for inclusion in its 2016-2017 Good Practice Handbook.

The team came up with five solutions that improved site safety and productivity and reduced environmental impacts. A V-shaped bucket was used to dig the trench and prevent it from collapsing. A sand cart, modified by adding a conveyor belt, then fed cement bound sand (CBS) into a Y-shaped hopper. The cart and hopper were then pulled on wheels on top of the trench, leaving an even 75mm layer of CBS in the trench. This meant operatives did not need to get into the trench and only one pass was needed.

The sand for the CBS was delivered in bulk and batched on site using a mobile batching plant. This meant specific quantities could be produced in a timely manner in situ, also reducing wastage and down time for operatives and requiring fewer trips to and from the site.

“I just wanted to say a massive well done. We have never had so many submissions which have been successfully approved from one project before.”

Selena Bray
Sustainability Advisor, National Grid

Our people are our greatest asset

One of the biggest business differentiators for Murphy is self-delivery. Unlike most engineering and construction companies, our workforce and plant are our own.

As a consequence, not only does that make our people our greatest asset, it also means that we have a greater ability to influence behaviour for the good. Nowhere is this more apparent than in our Never Harm Culture Development Programme. Using positive psychology and neuro-linguistic programming techniques, over 9,000 employees and JV partner employees have been trained. Over half of these people have gone on to coach their own teams. Focusing on the way the subconscious mind makes choices, and demonstrating with practical examples that are relevant, whether the audience is office or site-based, sub-contractors or clients, Murphy's Culture Development Programme continues to deliver outstanding results.

Developing and empowering our employees is a vital part of being a resilient business. Our self-delivery model ensures that we are able to recruit, train and develop employees for the longer term and we are working hard to engage and communicate with our employees. During 2015 we introduced several improvements to the two-way communications between employees. Murphy's first employee engagement survey was completed, a new matrix structure of management was successfully introduced, which allows more mobility of staff, and an employee forum was established to help gather active feedback.

The commitment that employees show, to the company and to clients, is important for our future prosperity. Attracting, retaining

and developing employees is a key aspect of our sustainability strategy. In 2015, 37 new apprentices were recruited. To assist them in their career development, our apprentice tool-buying scheme was launched, providing each with a tax-free loan of up to £1,500 to help buy any tools they require beyond those supplied to them as part of their job. During 2015 more than 200 days of training were delivered by the Murphy Academy, our flagship learning and development portfolio, to 2,047 delegates. This brings the total number of days' training provided by the Academy to over 400,000 since it was established.

Self-delivery differentiates our sustainable offer



400,000
Total number of training days since our programme was established



Harbury Cutting
 Unexpected weather events can cause severe disruption to infrastructure services.

Flooding, in particular, can have a catastrophic effect on rail and road systems and the communities served by them. As we employ our own workforce and own our plant and equipment, we are often the first on the scene in times of crisis.

In January 2015 a major landslip occurred at Brunel’s Harbury cutting, causing 326,000 tonnes of rock and soil to block the railway line between Banbury and Leamington Spa. Teams were already on site and, thanks to our ability to mobilise our own workforce and plant rapidly, emergency works began almost immediately to reinstate the embankment. As well as repairing the damage caused by the adverse weather, Murphy applied some innovative engineering techniques, including the use of a drone to provide advanced imaging of the site. Time was critical in re-instating the embankment of the cutting. Harbury is a site of special scientific interest (SSSI) so our expertise in protecting the environment was put to good use alongside our ability to provide continuous, 24/7 manpower and machinery to ensure that the line re-opened 17 days earlier than scheduled.

“We approach training on safety and well-being very differently to other companies. It’s not enough just to focus on behaviour – to succeed with safety you need to create compelling and interesting reasons for people to do things differently. We’ve almost halved the lost time frequency rate in four years.”

Yvonne Bennett
 Group Head of Culture
 Development Programme

“Self-delivery brings both challenges and rewards. Most companies say they believe in people, but we really do. Our people are our life-blood. They create profit and we want to protect our investment in time, training and skills development. When we take on apprentices for example, it’s in everyone’s interests to get them to stay with Murphy for the long term. We don’t just train people; we keep people.”

Darren Ramsay
 Managing Director, South

“At Murphy we believe in change for the better. All change brings challenge but, managed correctly, it also delivers success and improvement. Part of this change, which has had a particularly significant positive impact on the delivery of our roadmap targets, is the recruitment during 2015 of several senior personnel. Each one brings with them the skills, experience and expertise required to make change more effectively and to ensure that we accelerate our speed of progress in all aspects of sustainability.”

Carolyn Banner
 Group Human Capital Director

Trading review: North

Successes in the power and rail sectors and a healthy order book for the next few years will support company growth.



“We are well placed to continue our growth, not only in terms of turnover but skillset and client perception”

John B Murphy
Managing Director, North

Great performance

The past year saw positive performance across the Northern business unit, delivering well against safety, sustainability, financial and commercial targets. We have been recognised by our clients for our performance through an award by Northern Powergrid as contractor of the year, and by holding a leading position against Network Rail's Central CP5 KPI metrics.

We have continued to promote the One-Murphy approach to working and delivering projects by collaborating with all parts of the business. This included the Farnworth tunnel project, part of the North West Electrification programme for Network Rail. Farnworth relied on the full capability of the Murphy business – geotechnical, tunnelling, rail and civil engineering – to deliver a complex tunnel project right next to a live railway line. The project team of both Network Rail and Murphy stepped up to the challenge and the achievement has been recognised throughout the industry by being selected for a number of awards and commendations from industry peers.

Integration

The integration of Land and Marine into the business is now complete, with the business now working as part of our natural resources sector. This will help us provide a single common approach to our clients across the board. The challenges that the reduction in the crude oil price presents our clients has affected a number of capital investment decisions. But it has also presented some opportunities. Murphy has an opportunity to demonstrate willingness to invest in new and improved methods and technologies, and through our engineering

business Protech we can provide clients with pragmatic engineering solutions.

During 2015 we successfully completed the Harrowside outfall project for United Utilities on the Fylde Coast – a 2.1m diameter outfall 1,000m out to sea. This project enabled Murphy to further develop and enhance our marine capability.

The combined award of the Racebank substation and underground cable project for DONG has been an exciting challenge for the business. The substation is valued at £22m and requires us to take on the full project management of the civils, building and mechanical and electrical aspects of the substation. We have been able to utilise our internal piling and structural fabrication installation capabilities on the project to deliver value engineering and programme savings. The underground cable contracts enables us to further invest in more efficient means of cable trenching and installation typically required on cross country cable projects of this nature.

Powering forward

We are currently working on the Western Link project – a £1bn joint venture project between National Grid and Scottish Power – to transmit renewable energy from Scotland to England via an undersea direct current cable. We are working for Prsymian on the landfalls and land based sections of the project in both Scotland and on the Wirral, and we will be completing in excess of 27km of underground cable route. As part of our scope on the project we have completed the first 600kV directly laid DC cable in the UK, another first for Murphy.



Murphy International Limited
office, Newbridge, Co. Kildare

In Ireland, despite the difficult trading conditions due to the recession, the business has successfully delivered against the targets set in the business plan. We have enhanced and invested in our steel fabrication capability and the business has been active in the Irish market, supporting our business in the UK by fabricating structural frames for substations and bridges. The piling business has continued to invest with the purchase of additional piling rigs to serve both the UK and Irish markets. This investment will continue as part of our ten-year plan as we bring together the joint capability of our UK and Irish piling businesses. The contracting side of the business has successfully delivered an array of projects aligned for both new and long standing clients.

We have been very active for Network Rail throughout the year, delivering the CP5 programme, working on both the renewal and enhancement programmes for the Central Region of Investment Projects. This includes structures, earthworks and property. Our project teams have worked well with Network Rail to deliver these programmes of work by using an early contractor involvement model. We have been able to maximise the benefit of additional time early in the programme to bring significant efficiencies through engineering, programming and well-planned possessions. Our ambition on delivering works on the electrification programme continues, working as part of the REAL Alliance delivering power upgrades on the East Coast Mainline.

The review of projects in the summer of 2015 and the subsequent pausing of Midland Mainline and Trans Pennine Projects has affected our order book for 2016. Despite this, we are reassured to see these are now fully supported and we look forward to having an active role in the delivery of these schemes from 2017.

Investing

Throughout the year we continued our ongoing commitment to investing in the business. We opened our new office in Newbridge, Co. Kildare, which is the base for our Irish business, as well as committing to build a new office for our North East business in Leeds, where we have purchased a site and have started construction. We have invested extensively in the latest equipment for our rail operations, as well as committing to a £3m investment in new winches to improve our marine offering on a global basis.

The continued commitment by the government and our clients to infrastructure spend in the North gives us a great deal of confidence. This enables us to maintain our commitment to investing in both our people and our assets, and we believe we are well placed to take advantage of the opportunities that these projects present.

Trading review: South

A more collaborative approach is allowing us to focus on new areas of opportunities, particularly in the power and water sectors.



“Our next challenge is to transform Murphy into an intelligent solutions provider for clients and partners.”

Darren Ramsay
Managing Director, South

Challenges and opportunities have characterised our activities in the southern region over the past two years. They form the basis of a business plan that will see the company emerge as a dynamic provider of solutions in the environments in which we operate.

In 2014 we began a process of consolidating our business units to four operational units encompassing our four main sectors: rail, power, water and natural resources, as well as specialist capabilities including tunnelling, piling, public realm and building. As a consequence we have put in place a new management structure and reporting mechanisms that reflect our ambition to become a leader both regionally and nationally.

Currently our four operational units combined show a healthy turnover of £269.8m, with a steady forecast for growth in subsequent years. However, the challenge, specifically for us here in the South, has been in resourcing the appropriate calibre of people who will take Murphy on to its next stage of developmental progress.

2015 highlights

There have been some particular highlights, such as the New Cross to Finsbury Market cable tunnel with 1.6km of tunnel constructed in 2015 and monitoring stations installed beneath the London Underground Jubilee line. Along the 12-mile line from Gospel Oak to Barking on the West Anglia route our electrification works have commenced and design works and piled foundations work is progressing. Platform reconstruction works were completed at Attleborough and we have mobilised our team for the London Overground West Anglia stations programme.

On the Anglia structures maintenance framework we continued with ongoing emergency repair works as well as planned work remits to repair works to Network Rail structures. De-vegetation works at Borough Green commenced and completed in the year.



Deephams sewage treatment works

At the £200m Deephams rebuild of one of the UK's largest sewage works, Murphy has approximately 350 personnel on site in an exceptionally strong working relationship with its JV partners and Thames Water operations. We have established new working relationships with eight20, with future spend anticipated at £25m per year until 2020. With Affinity Water we are delivering infrastructure resources and bidding for non-infrastructure work.

For TfL's Underground SSR Package 7 we have installed a 132kV bulk supply point feed via a 5.7km dual circuit 132kV system from Edgware to Neasden. For the Ipswich Dock 132kV cable tunnel design, we installed a structured cable management system to support 132/11kV cable circuits within deep shafts which included jointing termination testing and commissioning.

At Melksham Murphy worked to ensure that a vital multi-million pound UK rail infrastructure project has been kept on track. National Grid was commissioned to provide Network Rail with a 66kV twin circuit connection to support the electrification of the Great Western Mainline. Our power engineering team installed 10.4km of a ducted twin circuit 66kV cable system to link the Melksham 400kV substation to a newly constructed Network Rail automatic trackside feeder station at Thingley Junction.

New areas for potential growth include power provision for Network Rail and expansion in nuclear and renewables. We are putting in place a new power and energy business development manager who will proactively identify opportunities and target them accordingly.

Delivering excellence through dynamic change

The past few years have witnessed a period of dramatic transformational change within Murphy, unprecedented in the company's history. Structural changes have affected the way in which we view growth. More and more strategic partnerships and JVs will become an integral part of the way we do business, especially as we focus on new areas of opportunities in the power sector, including renewables.

The historical perception of Murphy, especially in London and the South, is that we reliably deliver whatever the challenge. It is a great reputational foundation in one of the most demanding and dynamic business environments in the world, especially in the capital. We have won the admiration and respect from our peers within the industry.

We must deliver more efficiently and more intelligently. Our next challenge is to transform Murphy into an intelligent solutions provider where we design and engineer solutions for clients and partners in one of the most sophisticated markets in the world.

Australia and USA: Murphy Pipe and Civil

Our pipe and civil team has seen success in both Australia and the USA, using its expertise to deliver exciting new projects. The past year has seen new innovations and healthy profits, as well as new leadership and an acquisition.

A new CEO and a new acquisition

Shareholders appointed an independent executive team to manage the business and in August, former BHP Billiton Mitsubishi Alliance president, John Smith, joined as its new CEO. Based in Brisbane, Murphy Pipe and Civil (MPC) trades across a number of states, but principally Queensland. The majority of its work has been for liquefied natural gas clients but it is now beginning to broaden its scope of services to the mining and renewable energy sectors. MPC has also invested in its O&M offering in its coal seam gas capability.

In 2015-16 MPC acquired a US infrastructure contractor based in Denver, Colorado; the successful acquisition of an established South Dakota pipeline construction and cable installation company Duffield Construction, a family-run company for more than 23 years, will now be integrated into MPC. It will focus on the installation of small-diameter welded high-density polyethylene (HDPE) pipelines and transmission cables. With the improving economic conditions in the USA, this business is seen as a very good prospect to counterbalance the current difficulties of the commodities-based Australian market.

Profit despite a challenging environment

2015 saw a severe downturn in core commodities markets and a downsizing of the Australian construction operations.

Despite the difficult trading environment Murphy Pipe and Civil Group Pty Limited reported a solid profitable performance; the group's share of the JV was a turnover of £56.41m and a profit before tax of £4.97m.

Experience you can rely on

Murphy Pipe and Civil benefits from a team with more than 20 years of global ploughing experience.

The team has been responsible for the introduction of major technological advances in ploughing, and has played key roles in some of the largest HDPE pipeline networks ever developed.

The team delivers positive outcomes in tough terrain and remote locations and innovative 'out of the trench' thinking.

Increased safety, greener footprint, quality outcomes

MPC's innovative installation methods are proven in the field and the results have been recognised internationally for their positive outcomes across key project areas such as safety, environment, quality and efficiency.

- Safety – the ground level pipe loading system eliminates manual handling and the innovative ripper blade reduces the need for open trench.
- Environment – Spiderplows can operate in construction corridors of 32ft, therefore requiring less ground rehabilitation; and subterranean soils are not affected by the ploughing process.
- Quality – enhanced handling and insertion methods deliver optimum pipeline and cable integrity.
- Efficiency – the modified Spiderplow recently won the UK's Pipeline Industry Guild Innovation Award in recognition of significant installation efficiencies, compared with conventional methods.

Spiderplow technology When innovative solutions are required

The comprehensive range of pipe and cable installation solutions MPC offers clients have been the result of major investment in research, development and advancement of existing Spiderplow technology.

Our company's modern fleet of Spiderplows and winches are like no other. The incorporation of a customised ripper blade, pipe insertion chute and 'over-the-cab' installation systems mean the Spiderplows can accommodate HDPE pipes ranging from 4" right through to 24".

MPC's purpose-built fleet is also capable of combined installation of power and fibre optic cabling, tracer tape and other services – often in one cost-saving pass.

The fleet's in-field effectiveness is reinforced by proven results gained through the installation of more than 3,200 miles of HDPE pipe and cable. MPC delivers projects in the most cost-efficient manner, using the latest installation methods available.

Canada:

Surerus-Murphy joint venture

The Surerus-Murphy JV brings Murphy together with leading Canadian construction company Surerus Pipeline Inc.

The two companies have a combined experience of over 100 years in pipeline construction and Surerus-Murphy is looking to build on this with new and exciting ventures.

In line with the Murphy ten-year plan and the focus on developing our international business, 2015 was a busy year in our Canadian operations with the establishment of the Surerus-Murphy JV (SMJV). SMJV brings together Murphy's specialist pipeline capabilities and Surerus Pipeline Inc. Headquartered in Fort St John, British Columbia, Surerus is a family-owned and operated pipeline construction company with over 47 years of experience.

SMJV was formed primarily to target the projected major increase in pipeline infrastructure spend in Canada, and in particular British Columbia, as Canada seeks to further develop one of the world's largest reserves of both oil and gas and strives to gain alternative markets for its product.

Following the signing of the JV agreement in late 2014 SMJV secured its headquarters in downtown Calgary and established a fully integrated team drawing from the strengths of each respective partner, with Mick Fitzpatrick leading the business as president.

A key focus of the business in 2015 was the development of relationships with the major oil and gas clients and to raise

the profile of the SMJV offering within the Canadian market. The local positioning of Surerus in the market and Murphy's international experience enabled the JV to gain immediate traction with the key owner companies, including Shell, TransCanada and Spectra Energy, and Enbridge, as a credible offering for the construction of some of the world's largest pipeline projects.

Throughout 2015, SMJV was selected to provide proposals for a significant number of large-diameter pipeline projects with values up to \$1bn. Our work-winning teams delivered over \$2.5bn of proposal value in the period with SMJV moving forward to the preferred bidder or shortlisting for over 50% of this value.

2015 also saw the start of the first 'boots on the ground' JV collaboration as part of SMJV's profile-raising campaign, with Murphy specialist welding equipment and technicians completing semi-automatic welding on the Cenovus pipeline project awarded to Surerus in late 2015 for construction in the winter of 2015-16. The project required the installation of a total of 52km of 16-17.5mm wall thickness pipeline. The project was delivered with an integrated project management team from both Surerus and Murphy, and was delivered safely on time and on budget, with excellent feedback from our client.

2015 was not without its challenges, with the rapid decline of the global commodities market and the oil price tumbling from \$75 per barrel to as low as \$28. This obviously has had a significant impact on our clients' investment decisions. Coupled with a change in government and increased scrutiny on pipeline construction and its environmental impact, delays were forced on a number of major projects, pushing them into 2016-17.

Well placed for 2016

Coming into 2016, SMJV is now well placed with key long-term relationships established including a key master service agreement with Spectra to deliver major pipeline infrastructure over the next three years with a potential \$150m plus per year spend. In addition, with a number of the delayed 2015 projects satisfying the increased environmental and social licence conditions, they are set for construction in Q3 2016. This will also be a very important year with the major oil and gas projects delivering their final investment decisions that will shape the future of the Canadian pipeline construction market.

The future for SMJV looks set to be an integral part of the delivery of the Murphy ten-year plan and the springboard for further international opportunities.

Strong financial performance and a healthy balance sheet



“The group believes that its self-delivery model allied to an established and skilled supply chain is highly attractive to our clients.”

Paul Collins
Group Finance Director

Financial performance

The Murphy group has delivered a very satisfactory financial performance in 2015, maintaining a strong cash position and building a healthy order book. This performance positions the group to achieve its strategic ambition of delivering assets and services across our core sectors.

The group has achieved the targets set for its key geographic areas of operation and overall has reported revenue, including share of JVs of £703.9m (2014: £780.2m). Total revenue was £647.5m (2014: £657.6m). The reduction in turnover is mainly attributable to reduced activity in our Australian JV Murphy Pipe and Civil Pty Limited, which has been impacted by the slowdown experienced in the Australian economy and the reduction of activity in the UK and Ireland as some major schemes reached completion.

Profit before tax of £13.8m has been delivered in 2015 compared with a loss before tax of £9.7m in 2014. Both the UK and Australian businesses contributed to the improved profitability of the business while the investment of resource in our Canadian joint venture with Surerus Group is now generating opportunities which we

are confident of securing and commencing on site. All such costs to date have been fully expensed in the profit and loss account.

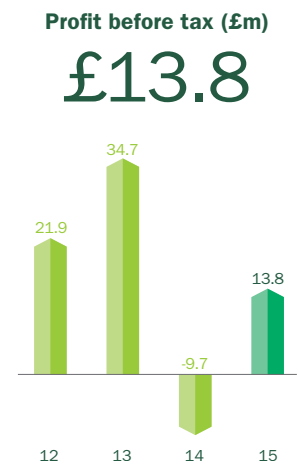
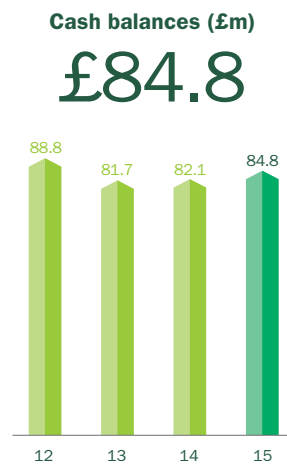
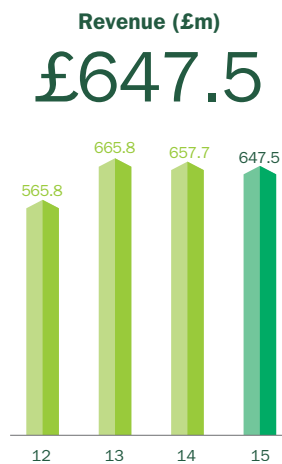
The accounts have been prepared under FRS 102 with 2014 restated with the major impact being the recognition in the profit and loss account of a surplus on revaluation of investment properties of £6.8m (2014: £2.9m).

The group believes that its self-delivery model allied to an established and skilled supply chain is highly attractive to our clients and to this end we invest heavily in training for both operatives and employees. We remain proud of our approach to safety and the resultant statistics confirm that our approach is working.

Cash flow

The group ended the year with cash balances of £84.8m (2014: £82.1m). During the year the group continued to invest in plant and equipment which was funded through cash flow generated by the business and very selective development opportunities.

The group remains committed to prompt payment of its suppliers.



The group continues to review its credit support requirements, including bonding requirements, liaising closely with its financial stakeholders and believes it has adequate facilities and headroom for its forecast requirements.

Balance sheet

The group retains a very healthy balance sheet with net assets of £207.3m (2014: £200.8m). There has been an increase in tangible fixed assets in respect of the capital expenditure on plant and equipment and the ongoing investment (and revaluation) of its property portfolio.

Net current assets amount to £73.7m (2014: £88.3m).

The group operates three defined contribution pension schemes with the assets held in independently administered funds. Additionally the company sponsors a defined benefit pension scheme which closed to future accrual from December 2012. The deficit on the scheme has been effectively eliminated.

Order book

The group order book is approaching £1bn and we are confident of delivering our budget for 2016. At present there is less visibility around 2017 with signs of delays to commencement of certain projects. However, there is clear sight of a number of major opportunities and the

appointment of sector leads, together with a strengthening of our business development and work-winning capability and our strong track record of delivery, see us well placed to take advantage of these opportunities.

Conclusion

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

Overall the business performance is pleasing but we remain very focused on the challenging markets within which we operate.

We look forward to the year ahead and the ongoing development of the group and delivery of our business plans.

Paul Collins
Interim Group Finance Director

Order book (£m)

£961.9

Net current assets (£m)

£73.7

Governance and risk

Managing risk is an essential part of delivering consistently for our customers, and having the right governance in place to do that is vital. Murphy is committed to managing risk across all of its operations, as part of its future growth.



“Solid principles of corporate governance are key to maintaining the trust of all stakeholders.”

Alastair Kerr
Chairman

Managing reputations

A commitment to sound corporate governance and rigorous, ethical stewardship underpins Murphy's long-term company performance. As part of our ten-year plan, we have initiated a new organisational structure based on professionalism, mutual respect and transparency. It transforms the very DNA of the company in issues such as board composition and effectiveness, the role of board committees, risk management, remuneration and relations with external partners.

Solid principles of corporate governance are key to maintaining the trust of all stakeholders. Murphy corporate governance is aligned with international standards and practices to ensure proper checks are carried out to safeguard the effective functioning of the governing bodies of the company. We also ensure the company is in full compliance with the law, all applicable rules and regulations, and company policy.

The main board comprises seven directors, three of whom are independent non-executive directors, including the chairman. The executive management board (EMB), which is responsible for the day to day running of the company, is led by the CEO and contains operational and functional leaders. The CEO also sits on the main board reporting to the independent non-executive chairman.

There are two non-executive board sub-committees – an audit and risk committee and a remuneration committee. They are chaired by independent non-executive directors and include family non-executive directors. The audit and risk committee gains assurance from internal and external audits, as well as from management, that best practice risk management processes are established and maintained. The remuneration committee independently sets remuneration, bonuses and any other rewards.

There is a SHESQ committee consisting of operation leaders which is responsible for safety, health, environment and sustainability. The effectiveness of the board is reviewed by the parent company, J. Murphy & Sons Limited, on an ongoing basis and the board has created a monthly reporting cycle which covers finance and business functions.

The company has appointed four sector directors, one for each core sector of rail, power, water and natural resources. Through proactive engagement they are building on Murphy's reputation for excellence as well as developing strategic partnerships with key clients both internally and externally.

Managing our risk

In challenging and often volatile global economic conditions, managing risk across all of Murphy is part of our ongoing strategy for sustainable growth. The company has a corporate risk register that identifies the top risks to the business. This is reviewed by the audit and risk sub-committee on a regular basis and allows it to plan and mitigate against risks related to the health and safety of our employees and the company's finances.

Murphy applies a risk and opportunities process to each major project. This forms part of the overall risk register for the business. It starts at the pre-contract stage and allows the company to assess potential risk at an early stage and, where possible, to design this out. It becomes active once a project is secured and operates to ensure safe delivery of a project (by eliminating or mitigating risk) and also to confirm the financial viability of the project.

Murphy's corporate risk strategy is particularly important when assessing its exposure to client-related risks, such as fluctuations in commodity prices, investments and general economic confidence. Murphy adopts a policy of vigilance at every stage.



Alastair Kerr
Chairman

Risk summary

People

We need to attract and retain the best people to deliver in line with our business plan. We manage this through our performance development process, and minimising staff turnover through appropriate remuneration and incentive packages.

Health and safety

Managing the risk of injury or harm to our people is done by having the right behaviours in the business. This is driven by our Culture Development Programme, as well as having detailed health and safety policies and procedures in place.

Economic environment

The business will always be subject to changing market and economic conditions particularly in the regulated utility sector. This is mitigated by having a diverse workload in sector and geography.

Bidding/work winning

Selecting and winning the right work opportunities is key to the success of the business. This is managed by a process with a number of approval and review stages, from the presentation of the initial opportunity through to contract completion.

Project execution

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

Sustainability

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

Operating environment/systems

The business depends on its IT infrastructure. We are investing heavily in our IT capability and performance to support the business to deliver its growth plan.

Business conduct and compliance

Failure to observe the highest standards of business integrity can result in legal sanction and reputational damage. This is managed by having clear policies in place with a designated compliance officer and an independent confidential phone line for reporting concerns.

Financial

Sufficient levels of operating cash are vital for the operation of the business. Debtor reviews and cash flow forecasting are key tools in managing our cash requirements.

International

We have to make sure our interests in our international operations are protected. This is done by having executive representation on our JV boards and having seconded employees working locally in our international JVs.

Consolidated profit and loss account
for the year ended 31 December 2015

	2015 £	Restated 2014 £
Turnover	647,542,155	657,647,614
Cost of sales	(648,978,858)	(676,239,910)
Other operating income	3,949,258	2,656,095
Group operating profit/(loss)	2,512,555	(15,909,201)
Net interest receivable	711,322	444,727
Surplus on revaluation of investment properties	6,829,298	2,973,635
Share of profit in joint venture, post tax	3,751,489	2,809,881
Profit/(loss) on ordinary activities before taxation	13,804,664	(9,680,958)
Tax on profit/(loss) on ordinary activities	(1,279,472)	3,512,652
Profit/(loss) for the financial year	12,525,192	(6,168,306)

Consolidated balance sheet
as at 31 December 2015

	2015 £	Restated 2014 £
Fixed assets		
Tangible assets	102,788,081	87,088,868
Investments in joint ventures	30,926,099	29,470,306
Total fixed assets	133,714,180	116,559,174
Current assets		
Stock	17,264,648	18,347,677
Debtors	183,248,288	170,073,641
Cash at bank and in hand	84,876,720	82,123,671
Total current assets	285,389,656	270,544,989
Creditors: amounts falling due within one year	(211,697,884)	(182,222,133)
Net current assets	73,691,772	88,322,856
Total assets less current liabilities	207,405,952	204,882,030
Post-employment benefits	(47,000)	(4,048,000)
Net assets	207,358,952	200,834,030
Capital and reserves		
Called up share capital	2,542,500	2,542,500
Profit and loss account	204,908,911	198,383,989
Equity attributable to owners of the parent	207,451,411	200,926,489
Non-controlling interest	(92,459)	(92,459)
Total equity	207,358,952	200,834,030

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