MURPHY

WORLD-CLASS INFRASTRUCTURE

Annual Report & Accounts 2022

IMPROVING LIFE

BY DELIVERING WORLD-CLASS INFRASTRUCTURE

INTRODUCTION

A LEADING INTERNATIONAL, SPECIALIST ENGINEERING AND CONSTRUCTION COMPANY

J. Murphy & Sons Limited is a leading specialist engineering and construction company founded in 1951 that improves life by delivering world-class infrastructure.

Operating in the United Kingdom, Ireland and Canada, we provide better engineered solutions to sectors including transportation, natural resources, power and water.

Read more on **p3**

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Discover more online at www.murphygroup.com

HIGHLIGHTS

ANOTHER YEAR OF PROGRESSIVE GROWTH

FINANCIAL

Revenue +17%

£1,491m

2022	1,491m
2021	1,274m
2020	1,116m

Operating profit +111%

£45.7m

2022	45.7m
2021	21.7m
2020	13.0m

Order book +13%

£2.52bn

2022	2.52bn
2021	2.23bn
2020	1.75bn

Net cash +27%

£275.5m

2022	275.5m
2021	216.6m
2020	173.8m

Investment property valuation +2%

£149.5m

2022	149.5m
2021	147.2m
2020	102.8m

OPERATIONAL

Murphy at 75

Sustained progress against strategic objectives, business growth and improved our cash position.

Reduced accidents

30% reduction in Lost Time Injury rate, from 0.11 in 2021 to 0.07 in 2022.

Increasing employees

Increased to 3,688, up from 3,579 the previous year.

Investing in the future

£34.5m invested in environmentally friendly plant.

Significant project wins

£2.518bn of secured and anticipated orders across our UK, Canada and Ireland businesses.

Social value

£0.2m donated to charity, worked with refugee programme, sector-based work academies, a leading role in Prison Leaver programme, plus over 300 giving back days.

Climate action

Reduced carbon emissions a further 16%. Over 99% diversion from landfill and over 35,000 trees planted on our projects.

Emerging talent

7.2% emerging talent and Gold recognition from the 5% Club.

GROUP AT A GLANCE

DELIVERING PEOPLE, PLANT AND EXPERTISE

Canada location

1 Calgary

Read more on **p18**

Ireland locations

2 Dublin
3 Newbridge

Read more on **p16**

UK locations

4 Leeds
5 Golborne
6 Stonecross
7 Ollerton
8 Cannock
9 Hemel Hempstead
10 London

Read more on **p12**

£34.5m
invested in our plant across across the UK and Ireland

3,688
colleagues in three countries

+300
projects ongoing at any one time

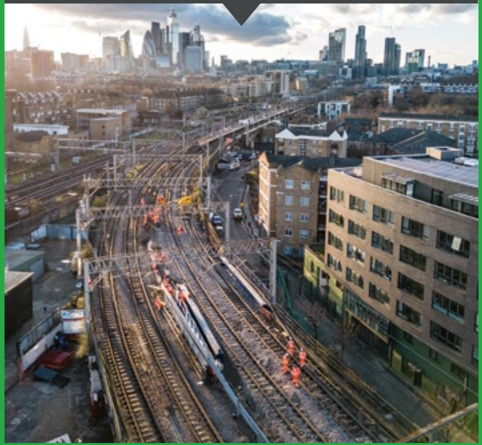
£2.3m
invested in training and developing our colleagues in 2022

GROUP AT A GLANCE CONTINUED

OUR SECTORS

Transportation

Murphy is a multi-disciplinary specialist working across rail, highways, aviation and ports to deliver sustainable transport infrastructure solutions. We provide practical and innovative results, working around the individual needs of our clients.



Natural Resources

Murphy is the UK's leading energy engineering and delivery specialist. We maintain, modify, design, construct and commission new energy networks and facilities; supporting our clients through the challenges of the energy transition and accelerating their efforts to achieve net zero emissions.

Power

Murphy is known for its extensive in-house expertise and continual drive to innovate within the transmission and distribution networks. We offer a wide range of services including design, construction and commissioning.

Water

Murphy actively works with clients on both infrastructure and non-infrastructure programmes, providing end-to-end services for major water and sewage companies. We provide a fully integrated design, build, operate and maintenance service to our clients.

OUR SERVICES

- Utility Connections
- Ground Engineering
- Engineering & Digital Construction
- Murphy Plant
- Murphy Power Distribution
- Murphy Gas Networks
- Pipeline Testing Services
- Specialist Welding Services
- Bridges
- Tunnelling
- Electrical Services
- Process Engineering
- Design and Engineering
- Structural Steelwork
- Offsite Fabrication
- Advisory and Consultancy

STRATEGY & PURPOSE

DELIVERING ON OUR PURPOSE AND OUR VISION

Our purpose is **'improving life by delivering world-class infrastructure'** and our vision is to be **'the leading family-owned construction business'** by 2026 when Murphy celebrates its 75th anniversary.

At Murphy, we are a values-led business with a consistent, clear and concise strategy to achieve both our purpose and our vision. We take a disciplined approach to doing the basics consistently well and through operational excellence, we deliver value for our clients, forming win-win relationships which give a fair capital return. This return enables ongoing development of our people, creates a great place to work where everyone can feel secure and comfortable to be themselves, and supports increasing levels of social value in all of the communities in which we have a presence. We have a well-embedded safety culture, are always looking to improve, and are committed to tackling climate change and achieving our pathway to net zero.

Through our direct delivery model, supported by a trusted supply chain, we enable our clients to achieve their business objectives by increasing capacity, improving customer service, providing resilience and delivering increased efficiency whilst being a safe and sustainable company. We achieve this by focusing on our key clients whose delivery business plans are underpinned by strategic national needs, regulatory commitments, legislation or essential performance requirements. And our people are at the core of everything we do.

A strong balance sheet and a long-term, profitable workload with trusted clients enable us to make the best decisions for our business. Robust governance processes, targeted contract selection and delivery excellence support our framework for future growth. With a proven track record of delivery, we continue to focus on our three geographies of the UK, Ireland and Canada, and the strategic sectors of transport, water, power and natural resources. Our delivery teams are supported by an expanding Investments team. We are passionate about our direct delivery offering and the benefits it brings to our clients. Internal delivery capabilities include our extensive plant business, ground engineering, electrical services, process engineering, bridge fabrication, urban infrastructure, utility connections, specialist welding, design and wider engineering, and digital support. All of which support our front-line teams in delivering world-class infrastructure.

In meeting the challenges and needs of a fast-changing world and the markets in which we operate, we are continuing to develop at pace our in-house Engineering, Murphy Applied Engineering and Digital expertise. These embrace innovative ways of working and support our delivery to harness greater efficiency, sustainable delivery and enhanced net zero construction, across the project and asset life cycle. By harnessing this approach, we not only offer significant value-add options but make our operations safer and give greater delivery certainty.

> We enable our clients to achieve their business objectives by increasing capacity, improving customer service, providing resilience and delivering increased efficiency whilst being a safe and sustainable company.

STRATEGY & PURPOSE CONTINUED

OUR PURPOSE IS TO IMPROVE LIFE BY DELIVERING WORLD-CLASS INFRASTRUCTURE

OUR VALUES

- NEVER HARM
- ALWAYS DELIVER
- CONTINUALLY IMPROVE
- ONE FAMILY ONE TEAM ONE MURPHY
- RESPECT, INTEGRITY & ACCOUNTABILITY

STRATEGIC OBJECTIVES

WIN-WIN
Partnering with clients who trust and respect us and reward us fairly

CAPITAL
Producing capital to enable us to invest in our people and plant

PEOPLE & SOCIAL VALUE
A great place to work where our people feel secure and comfortable to be themselves

CLIMATE ACTION & SAFETY
Creating a greener, safer and healthier Murphy

BRILLIANT BASICS
Consistently deliver the basics to achieve operational excellence

STRATEGIC DRIVERS

DEPENDABLE PROJECT MANAGEMENT
Effective planning, execution and review of project delivery

WIN-WIN RELATIONSHIPS
Actively develop trusted relationships with our customers

PASSIONATE ABOUT DIRECT
Best use of our capabilities to stand out

BETTER ENGINEERED
Smarter, safer, faster

FIT TO START
Nothing will start until we are properly ready

LOCATIONS | SECTORS | STRATEGIC INVESTMENTS | MAJOR PROJECTS | SPECIALIST BUSINESSES

MURPHY AT 75

To be the leading family-owned construction business

MURPHY BUSINESS STRUCTURE

CONTINUAL IMPROVEMENT THROUGHOUT OUR BUSINESS

Murphy is a leading global, multi-disciplinary construction company, founded in 1951. We directly employ more than 3,600 construction professionals, engineers and skilled operatives across the UK, Ireland and Canada.

We work in the transportation, natural resources, power and water sectors, supported by a wide range of related businesses, such as Murphy Plant, Murphy Ground Engineering, Murphy Applied Engineering and Murphy Utility Connections, as well as having specialist delivery expertise in the likes of pipelines, tunnelling, process engineering, steel fabrication and structural steel erection. We invest heavily in our substantial holdings of plant, equipment and facilities, and believe strongly that our self-delivery model brings added value to our clients.

We continue to develop our people across the business, creating diverse, inclusive and engaged teams to achieve our strategic direction and meet our Murphy at 75 targets. This level of continued investment in developing high-performing teams, together with our continued investment in our offices, facilities, plant and equipment, and specialist capabilities ensures we are well positioned to respond to, and fully support, our customers with their future opportunities and changing markets and demands.

Continual improvement runs throughout our business. To best support our employees, clients and supply chain partners, we utilise a wide range of internal performance metrics to identify areas for additional focus. Each year, we fine-tune our Brilliant Basics initiatives to drive further consistency and operational excellence.

Looking ahead

We are confident that our strategic direction and targeted opportunities places us in a strong position for continued and sustainable growth, with a developing future orderbook and strong balance sheet.

Brilliant Basics Delivering operational excellence

2023 initiatives	**Design management** All designs to be progressed to programme, quality and client budget guidelines – right first time	**Digitalisation** Set an over-arching digital strategy within Murphy to drive system connectivity and performance at site level	**Resources** Ensuring we have the right resource and capacity to support working to deliver our Murphy at 75 ambition and beyond
Continued embedment	**Quality** Raise its importance with our teams and promote right first time delivery	**Productivity** Percentage of projects >£1m with defined and measurable productivity metrics	**Simplification** Simplify MIMS & Gateways to drive efficiency in our operations
Business as usual	**D365 efficiency**	**Project leadership development**	**Supervision development**

MURPHY BUSINESS STRUCTURE CONTINUED

GROUP EXECUTIVE COMMITTEE

Mick Fitzpatrick
Managing Director

John G Murphy
Managing Director

Karl Budge
Group Business Development & Strategy Director

John Kinirons
Group Safety & Sustainability Director

Nigel Wood
Group Commercial Director

John Murphy
CEO

Nick Fletcher
Managing Director

J P Murphy
Company Secretary & General Counsel

Joe Ledwidge
Chief Financial Officer

Dawn Moore
Group People & Comms Director

Mike Carpenter
Managing Director of Investments

COUNTRY LEADERSHIP

Canada
MD
Mick Fitzpatrick

Ireland
MD
John G Murphy

United Kingdom
MD
Nick Fletcher

BUSINESS SUPPORT

PEOPLE & COMMUNICATIONS

FINANCE & ASSURANCE

COMMERCIAL & PROCUREMENT

ENGINEERING

SHES

2023 priorities
In 2023, we will continue to:

- Build upon our strong foundation of delivery capability and operational excellence
- Drive our 'Never Harm' focus to ensure we are in a safe and sustainable environment, creating a great place to work and being key enablers of climate action and social value
- Strengthen relationships with key repeat clients across the UK, Ireland and Canada and build new relationships with clients who share our values and beliefs
- Deliver constant robust financial performance through leadership and discipline
- Invest in developing our people and creating high-performing teams
- Develop our 'Brilliant Basics' initiatives to support consistency and improvements across all our construction activities
- Remain true to our strategic direction of travel in achieving our Murphy at 75 goals

CHAIR'S STATEMENT

A STRONG AND PROGRESSIVE FAMILY-OWNED BUSINESS

I have been impressed by the scale of our capabilities and the complexity and critical nature of the projects we deliver in line with our purpose.

John Cresswell
Chair

Welcome to the 2022 Murphy Group Annual Report, my first as Chair. It is a privilege to have taken up the role of Chair for such a high-quality Group. As I have familiarised myself with our operations, I have been impressed by the scale of our capabilities and the complexity and critical nature of the projects we deliver. Murphy has a strong culture. Our values are much more than words on a page and I have been struck by the commitment and entrepreneurial spirit of our colleagues at all levels across the Group.

I am delighted to introduce a positive set of results for the Murphy Group in 2022. They are founded on strong leadership, dependable operational delivery, and solid client and supply chain relationships. The business is working to a clear strategy, has a disciplined approach to risk and with a strong balance sheet and growing order book is well placed to deliver our goals for Murphy at 75 and beyond.

In 2022, we continued to see significant external global forces on our business, including the continued inflationary pressures from the impact of the conflict in Ukraine, the associated economic uncertainty and the aftermath of the pandemic. The Group has managed these inflationary costs through contract protection, client negotiation and operational efficiencies. Our robust internal governance, consistent strategy, one team ethos and unique self-delivery model have enabled us to transition well to the continually changing environment – and we are not complacent about future challenges.

As we work towards our 75th anniversary in 2026 and our vision of becoming "the leading family-owned construction business", we remain fully committed to the values on which the business was founded. We recognise that our colleagues are at the heart of everything we achieve. Therefore, the Group is incredibly proud of being named the 'Best Big Company to Work For' in 2022 by Best Companies. It is a well-deserved accolade and an acknowledgement of the hard work and commitment to our values that our colleagues put in every day across every level of the business.

By continuing to invest in our direct delivery model across all our chosen sectors and geographies, working closely with existing clients and building strong relationships with valuable new ones, we are providing a stable foundation to achieve our vision for 'Murphy at 75' and beyond. Our Brilliant Basics initiatives are driving an increasingly disciplined and consistent delivery ethos across the 'Murphy family' which is evidenced through our key performance indicators.

Board changes and governance

I was appointed to the Murphy Board in September, formally taking up the role of Chair in November 2022.

I must thank my predecessor, Alastair Kerr, for his invaluable contribution to the Group. Our position of financial stability and strong governance is a testament to his wise leadership over his eight years as Chair. Alastair's dedication and determination to do his utmost to help the Group guided it through some testing periods to build the success it is today.

I would also like to thank him for his personal support in making the transition so seamless.

My priorities as Chair are to build upon the platform Alastair has created to ensure the Group continues to have an appropriate Board and governance to provide our Chief Executive, John Murphy, and his team with support in their execution of our strategy to deliver a growing and sustainable business.

In September 2022, we announced that Paul Grammer, previously Group Commercial Director, would join the Board as a Non-Executive Director. We are delighted we will have Paul's expertise on the Board. In light of his joining, we are evolving our governance and have created a separate Risk Opportunity Committee of the Board to sit alongside the Audit and Remuneration Committees.

I look forward to reinforcing the high standards set by Alastair and am committed to continuing his legacy of steady governance and leadership.

CHAIR'S STATEMENT CONTINUED

Building a safety culture

Underpinned by our 'Never Harm' value, we have continued to demonstrate ongoing improvement in our health and safety performance throughout 2022 and successfully reduced our Group Lost Time Injury rate by a further 30% to 0.07 this year. It is a reassuring performance as we strive to be at the forefront of our industry and we are committed to driving further improvement as we recognise that any injury is one too many.

During the year, the Board received reports of the detail of each incident and the subsequent investigations, including analysis of safety improvements required and lessons learnt to be shared and embedded across the Group. Our focus on safety is supported by our commitment to look after our colleagues' wellbeing. Mental health remains a very significant challenge in our industry and we continue to raise awareness and train increasing numbers of mental health champions across the business to ensure we offer continuing support to all colleagues.

Climate action and creating positive social impact

As enablers of climate action, we continue to work towards a more inclusive and sustainable future to support our planet, the communities we work in and each other. With our focus on sustained growth, innovation and operational efficiency, we have set ambitious and transparent targets to become net zero by 2030 and are working to a detailed roadmap to get us there. Through significant investment in our plant and equipment businesses, harnessing the benefits of the latest technologies, allied with our increasing applied engineering capability, we are confident that we have both the capability and commitment to achieve our stretching targets.

We also recognise the benefits of positive social impact and are contributing in many ways within our business and also in the communities in which we work, such as supporting SMEs, working with the Ministry of Justice to support re-employment of prisoners on release, giving opportunities to refugees from the Ukraine and elsewhere, supporting local charities and working with schools to plant trees, and engaging with children through STEM activities.

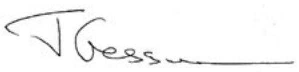
We are continuing to invest in our workforce of the future by recruiting, supporting and inspiring apprentices and graduates through our workforce development programme to ensure the construction industry remains an attractive long-term career choice. We are increasing social equity and inclusion by building an agile and responsible culture that represents all elements of society. We are creating opportunities for our workforce to learn, develop and advance in their careers, with options to progress those careers across different sectors and continents.

Our financial performance and future outlook

Despite the challenges of 2022, I am proud that we have built on our performance of the previous year by further strengthening our balance sheet and increasing our annual revenue, operating profit and net cash. This is a result of the hard work, commitment and ongoing improvement we have achieved.

The outlook for our UK, Irish and Canadian businesses in 2023 remains positive. We have a robust order book, with Government remaining committed to its investment in infrastructure, and have an exciting pipeline of projects ahead of us in all of our sectors. Energy transition is one key area where our industry must rapidly ramp up both resources and capabilities to limit climate change, and Murphy is increasingly well placed to step forward and meet this challenge.

Finally, I would like to thank the Board, Executive Committee and all colleagues in the business for their contribution and support. I feel extremely privileged to take on this role at such a transformative time for Murphy and the construction industry.



John Cresswell
Chair

CHIEF EXECUTIVE OFFICER'S REVIEW

SAFE, DEPENDABLE AND SUSTAINABLE GROWTH

In 2022 our performance across the Group has again taken a positive step forward. This pleasing set of results demonstrates strengthening of our growing financial resilience and reflects our ongoing commitment to robust internal governance, investment in our people, operational excellence, and constant focus on building win-win relationships with our client base.

John Murphy
Chief Executive Officer

Assured delivery

In 2026, the Murphy business will be in its 75th year, with our vision "to be the leading family-owned construction business" in the three geographies in which we work. The key elements underpinning our vision and supporting strategy are our people, delivery excellence, collaborative client relationships, safe and sustainable behaviours, and robust financial management.

Our self-delivery operating model, supported by a select supply chain, continues to be central to our unique offering. At a time when resources are increasingly a limiting factor across the industry, we give our clients heightened confidence of reliable delivery performance. Our project teams are consistently driving a disciplined approach to doing the basics well across all our activities.

Safety and wellbeing

2022 has again seen a positive improvement in our safety performance with an overall reduction of 30% in our Group Lost Time Injury rate. We continue to invest in engaging our teams through our award-winning Murphy Culture Development Programme sessions held across the Group. Our annual programme of events, which include our clients and supply chain partners, has supported in making personal commitments to 'speak up and be the difference'. Our continued improvement is a testament to everyone at Murphy showing a positive commitment to our colleagues' wellbeing and making safety personal.

Delivering a greener, cleaner Murphy

As a business focused on long-term sustainable growth, we recognise our role in enabling climate action and we have been reducing our emissions year on year for over a decade. Our climate action strategy 'A Greener Murphy' sets out a clear path to net zero by 2030 and net positive by 2050 for all emission sources. In 2022, we achieved further progress: reducing our fossil fuel reliance through improved plant and vehicle efficiency, investing over £34m in green plant and continuing our transition to renewable fuels. Our innovative engineering teams are constantly identifying low-carbon design alternatives and supporting our work towards meeting verifiable science-based targets.

Our approach to social value

As a family business, we focus on creating a positive and lasting legacy across our projects and the communities where we work. We have set up a new ESG Committee to coordinate our progress and identify and implement best practice in delivering Environmental, Social and Governance improvements. We have aligned our strategy with the United Nations Sustainable Development Goals as a global benchmark of our progress as we continue to deliver long-term sustainable solutions.

I am particularly proud of our leading role in the Ministry of Justice's Employment Advisory Board programme within HM Prisons, ensuring prison leavers are offered a second chance. In 2022, we made 40 offers of employment to prison leavers, with an ongoing commitment in place. We have also been working closely with HM Government to support refugees, including those from Ukraine, to find work within the Murphy Group.

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

Engagement

We are delighted that our internal employee engagement survey in 2022 led to us being named 'Best Big Company to Work For' by Best Companies, demonstrating we are a great place to work where everyone can feel secure and comfortable to be themselves.

In 2022, we increased our number of employees identified as emerging talent (apprentices and graduates) to over 7% and welcomed our largest-ever annual intake of emerging talent with over 120 new colleagues joining the business. Our second annual ACORN awards to celebrate employees who go above and beyond demonstrated some stunning examples of personal commitment to improving our business and supporting the communities we work in.

Our financial performance

For the year ended 31 December 2022, revenue, operating profit and net cash have again all grown significantly. Revenue increased 17% to £1.491bn. Operating profit improved by 111% to £45.7m. Net cash balance improved by 27% to £275.5m, with a net cash inflow of £58.9m. This set of financial results demonstrates a continuous year on year improvement in our operational delivery and consistency in delivering world-class infrastructure.

The forward order book has strengthened this year across the whole business, the Group having a secured workload of over £2.5bn, up 13% from 2021. Our robust operational performance is further supported by our progressive Investments team.

Outlook: A disciplined approach to sustainable growth

This report reflects another step forward for the Murphy Group, with an increasingly strong balance sheet and ongoing confidence in our strategic direction. Looking to the future, we are well positioned for further sustainable growth, particularly in the areas of energy transition and security where our self-delivery model and engineering capabilities are an advantage. The overall quality of our team, our client base and ongoing delivery performance all give me confidence. Allied to this, we are maintaining disciplined contract selectivity, concentrating on the right projects in familiar sectors and geographies. We have a high-quality order book, exciting opportunities in the pipeline and are well-positioned to benefit from future investment trends across the UK, Ireland and Canada.

I thank our clients for their support and all of our team and colleagues for their resilient, resourceful and dedicated response. We are very much a family business here at Murphy and I am proud of how we have all collectively united to deliver such a positive set of results.

John Murphy
Chief Executive Officer

OPERATIONAL REVIEW – UK

A POSITIVE OUTLOOK FOR UK CONSTRUCTION

We are committed to ensuring we invest in building collaborative relationships to deliver value for our existing clients, our shareholders and our people, in addition to developing constructive relationships with a small number of new clients.

Nick Fletcher
Managing Director – UK

Peterborough & Huntingdon Compressor Stations

CLIENT: NATIONAL GRID PLC

ASSURING THE SECURITY OF THE UK'S GAS NETWORK

In March 2021, Murphy took over the contract for the installation and tie-in of two solar gas turbine-driven pipeline compressor packages to reduce National Grid's operating emissions, as well as the design, procurement, construction, testing and commissioning of all requisite plant equipment.

We delivered the comprehensive scope by leveraging our One Murphy capability, drawing on our pipeline testing, specialist welding and electrical systems capabilities.

95%
reduction in Nitrogen Oxide production and 16% reduction in CO_2 emissions

1,300
HGV traffic movements avoided through landscaping plan

Soham Railway Station

CLIENT: NETWORK RAIL

CONNECTING LOCAL RESIDENTS AND BUSINESSES TO THE REST OF THE COUNTRY

Murphy was contracted as Principal Contractor and Principal Designer to construct a new single-platform railway station in Soham, Cambridgeshire.

The project was delivered five months early through an accelerated assurance regime in line with Network Rail's PACE principles. In line with our focus on sustainability, the platform design used the EPS prefabricated platform system, avoiding the use of 200m^3 of concrete; and the urban drainage system installed in the car park ensures that only clean rainwater enters the Soham lode.

120
trees and 120m^2 of mixed pollinator wildflowers planted

£1m
saved for our client through delivering programme 5 months early

OPERATIONAL REVIEW – UK CONTINUED

HS2 phase 1 Enabling Works

CLIENT: HS2

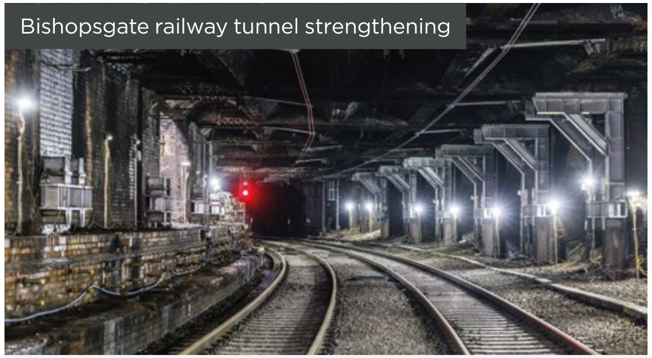
IMPROVING SOCIO-ECONOMIC MOBILITY THROUGH IMPROVING THE UK'S RAIL INFRASTRUCTURE

Working together in joint venture (Laing Murphy JV) Murphy have delivered the HS2 Enabling Works Contract North, a dynamic enabling works programme across the West Midlands.

To date, the LMJV team has achieved all the programmed milestone targets, handing back 100% of the land to HS2 and onto the main works civil contractor. In alignment with HS2's aspiration to 'be a good neighbour every single day, by respecting the people and communities we impact…', the team created a culture of inclusion and community engagement, achieving a 42% female workforce, engaging with 4,000 children across the West Midlands on STEM-related topics and creating opportunities for apprentices and graduates by offering work experience/training directly or via our supply chain relationships.

75,000
metres of utilities diverted

250 acres
of woodland and vegetation managed, including 55 ecological sites restored or constructed and maintained and monitored throughout the works



Bishopsgate railway tunnel strengthening

CLIENT: NETWORK RAIL (CP6)

STRENGTHENING AN AGEING TUNNEL STRUCTURE IN SHOREDITCH, LONDON

Under this design and installation contract for Network Rail, our team strengthened the existing Bishopsgate tunnel structure to allow the vacant land above to be developed.

By embedding SPEED (Swift, Pragmatic and Efficient Enhancement Delivery) principles across the project, our engineering and fabrication teams accelerated the design of the steelwork, and designed and developed bespoke lifting equipment and templates for the core drilling and anchor installation. This ensured a safe and efficient installation during the Christmas blockade.

50%
of the steelwork installed over a 10-day Christmas possession

75%
of the workforce employed directly by Murphy

Sofia onshore cabling for windfarm

CLIENT: SOFIA OFFSHORE WINDFARM LIMITED

PROVIDING SUSTAINABLE ENERGY FOR 2.4 MILLION HOMES

Murphy is Principal Contractor for the civil infrastructure containment installation for both the Sofia (SOWF) and Dogger Bank 'C' (DBC) offshore windfarms.

Our scope is to install 7km of below-ground infrastructure, connecting the landfall cables at Marske-by-the-Sea to the new onshore converter station in Wilton International. The route consists of several engineering challenges such as nine horizontal directional drills and a 17m deep tunnel crossing off an existing Network Rail asset (eight shafts and four tunnels). As part of our commitment to improving life in the communities we work in, we are focused on local recruitment and school engagement, with local school children designing artwork to be reproduced on our hoarding, depicting 'life in Redcar'.

50%
of direct delivery workforce is from the local community

2.4 GW
combined capacity powering 2.4 million homes

OPERATIONAL REVIEW – UK CONTINUED

CLIENT: NATIONAL GRID

REINSTATING FULL CAPACITY TO ELECTRICITY CONNECTIONS BETWEEN UK AND FRANCE, ASSURING ENERGY SECURITY

Following fire damage in 2021 which reduced the converter station operations to 50% capacity, Murphy was contracted to rebuild the fire-damaged converter infrastructure.

Through our One Murphy delivery model, we were able to mitigate the risk of delay and optimise the programme to deliver the works to a significantly compressed timescale, thereby increasing the resilience of the UK electricity supply. To support our workforce and the 24/7 working pattern, we created a 24/7 welfare and wellbeing centre that included a free canteen, gym, living room and multi-faith room, as well as an astroturf area with benches and football nets. This was an important way that we ensured a healthy, safe and inclusive working environment.

5 years
of work delivered in 16 months through efficient scheduling and programme optimisation

1st
health hub in the UK construction industry

CLIENT: NETWORK RAIL

REDUCING FLOOD RISK ON WEST COAST MAINLINE

Over the course of a nine-day blockade, Murphy successfully delivered essential drainage renewal works on the West Coast Mainline at Kilsby, in Northampton.

The site has been a high-risk location for flooding, and trains running into Euston station have been delayed or stopped on several occasions. The works included 2,000 metres of new cess drainage and the full renewal of signal and telecom troughing. We delivered this using eight engineering trains, two tampers and our in-house specialist road rail plant, working 24/7 for the duration of the blockade. We successfully and safely completed the works with zero accidents or incidents.

< 10
weeks from planning to site mobilisation

2,000
metres of drainage installed

CLIENT: UNITED UTILITIES

UPGRADING THE WATER SUPPLY TO LIVERPOOL RESIDENTS

The Oswestry Water Treatment Improvement Project for United Utilities is being delivered by the Advance Plus JV Framework.

The project serves Liverpool residents and is part of a much larger framework of projects which could reach the value of £420 million during AMP7. Commencing in May 2022, the works involve a major upgrade to an existing water treatment works, involving refurbishing existing assets, constructing new assets and decommissioning old assets, with a second phase involving constructing new water tanks. To date, we have achieved a 100% strike rate on delivery milestones for the design works.

800
HGV traffic movements eliminated from local roads through recycling materials

<5
minutes average idling time – technology to reduce idling time on plant and machinery being trialled to reduce emissions

OPERATIONAL REVIEW – UK CONTINUED

London power tunnels Phase 2 (LPT2)

CLIENT: NATIONAL GRID

FUTURE-PROOFING LONDON'S ELECTRICITY SUPPLY

Package 2 – Tunnels & Shafts
Package 5 – Headhouses & M&E

Working as the Hochtief-Murphy Joint Venture (HMJV), Murphy is contracted to deliver two major design and construction packages for National Grid as part of its £1 billion flagship London Power Tunnels 2 scheme.

We are replacing the existing cable infrastructure that is reaching the end of its life and handed over the first section of tunnel to National Grid's follow-on high voltage cable installation contractor successfully, on-time. We also progressed with the design of the headhouses and commenced construction on the first headhouse site, ahead of the baseline programme. Championing sustainability initiatives and creating a community legacy has been central to our works on this technically challenging scheme, including trialling earth-friendly concrete for use in permanent works; reducing on-site carbon by 17%; diverting 99% of waste from landfill; hiring 50% of our workforce from local areas; facilitating nine apprenticeships and 55 work experience students; and supporting over 100 educational events.

25.5km
of tunnelling and 7 tunnel shafts completed in 2022

4,600
hours of community volunteering carried out and £11,000 raised for local charities

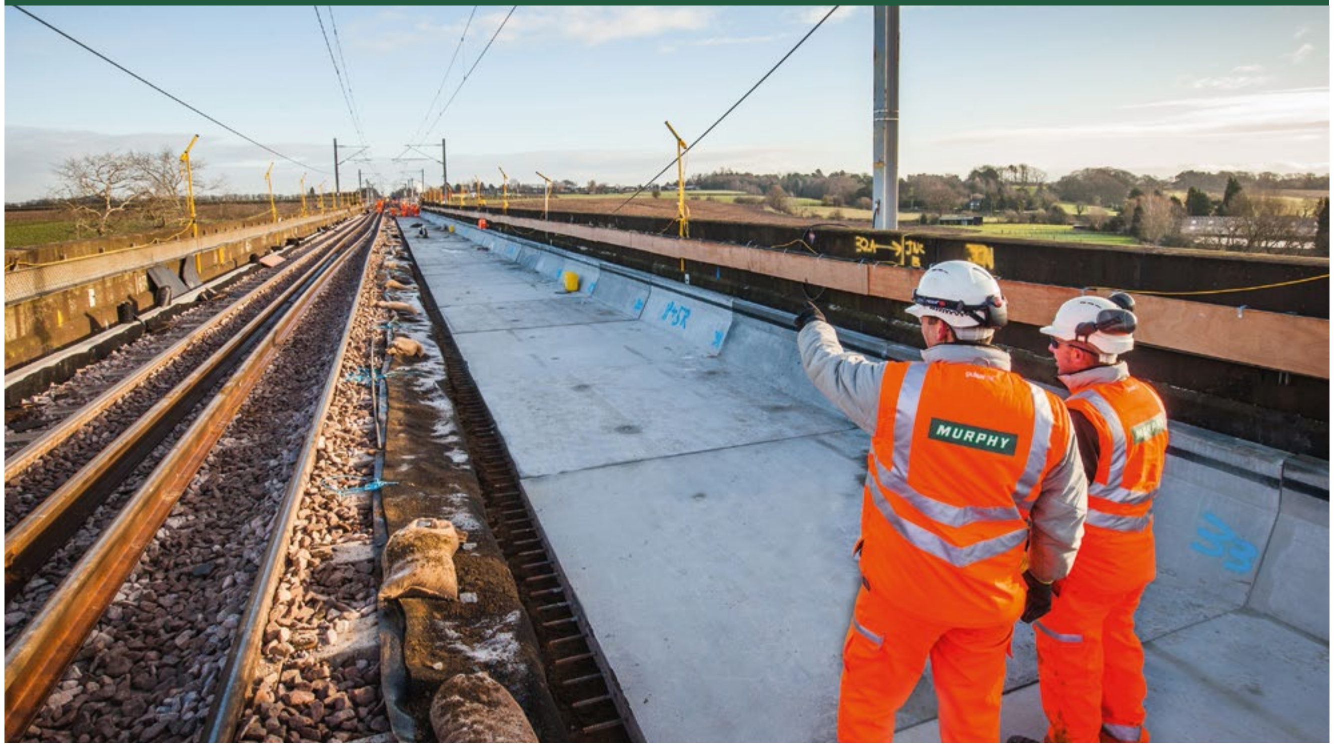
UK 2023 outlook

The outlook for the UK Construction market continues to be positive. Whilst the ongoing impact of inflation has resulted in a slowdown in spending on some major infrastructure projects, this is significantly outweighed by the opportunities presented by the government's commitment to transitioning to green energy.

The Government's National Infrastructure and Construction Pipeline outlines a further £600bn of investment in infrastructure projects by 2030, with transport, energy and water creating a strong pipeline of ongoing opportunities.

We are committed to ensuring we invest in building collaborative relationships to deliver value for our existing clients, our shareholders and our people, in addition to developing constructive relationships with a small number of new clients. Our focus continues to be on maintaining a balanced portfolio of work across infrastructure sectors with an appropriate mix of risk and reward.

Our customers and employees continue to benefit from our direct delivery model where we self-deliver a significant proportion of our work using our own people and plant. This enables improved productivity with better control of safety, quality, cost and programme, through our better engineered and innovative construction solutions, allowing waste reduction and reducing our carbon footprint.



OPERATIONAL REVIEW – IRELAND

CONTINUED EXPANSION ACROSS MULTIPLE SECTORS

In line with continued growth in the Irish economy, Murphy Ireland continued to expand the business in 2022, to meet demand for the services we provide. The year exceeded all targets. Our self-delivery model gives existing clients great comfort that we can meet their programmes, delivering quality projects in a safe and sustainable manner. Projects such as Lee Road Water Treatment Plant, Stillorgan Reservoir, Beattock and Huddersfield were successfully completed and commissioned.

John G Murphy
Managing Director – Ireland

CLIENT: IRISH WATER

RINGSEND P REMOVAL

Murphy Ireland successfully completed the Ringsend Phosphorous Fixation project for Irish Water in 2022.

The proprietary process removes phosphorous from waste processed on site to produce Crystal Green (Struvite), a phosphorus compound which can be used as a fertiliser in the agriculture industry, promoting a more sustainably sourced fertiliser, based on a circular economy model. The removal of phosphorus helps protect our waters and sea life for future generations. The site itself currently serves a 1.8 million population equivalent and as part of this and other upgrades, it will grow to 2.4 million. This project was delivered within the confines of the Ringsend Wastewater Treatment plant, while the site remained operational, and had zero impact on the daily running of the plant, despite the insertion of this brand-new process within the overall treatment works. The application of this technology is a great step forward for the wastewater industry, the first of its kind in Ireland and the largest in Europe by volume. A project Murphy can be truly proud of.

40%
of Ireland sewage flows into the Ringsend Wastewater Treatment facility

Sustainable
Europe's largest sustainable fertiliser processing facility

CLIENT: GAS NETWORKS IRELAND

NSWC FRAMEWORK

Having won the Networks Services and Works Framework for Gas Networks Ireland in late 2021, works commenced in earnest in 2022.

This nationwide framework covering maintenance and construction on the gas network builds on our decades of continued service to this blue-chip client. For a client in a safety-critical sector, this framework is a perfect fit for Murphy's skillset and direct delivery model. The framework includes construction of transmission pipelines, hot taps, above ground installation capacity upgrades, security upgrades, heat exchanger overhauls and boiler replacement plus mechanical, electrical and instrumentation inspections, calibrations and corrective maintenance. Murphy also provides a 24/7 on-call Emergency Response throughout Ireland.

Hybrid
Hybrid lighting towers were introduced to reduce carbon impact

Reduced
Reduced grass cuts to promote the growth of pollinator-friendly, native vegetation

OPERATIONAL REVIEW – IRELAND CONTINUED

GROUND ENGINEERING

In 2022, we added three CFA piling rigs and one new BG23H rotary piling rig to our fleet.

This increased capacity has allowed us to keep up with demand for our services. We support the wider market whilst also helping us keep to our self-delivery model by supporting our own projects such as Ringsend P Removal, APC Flexgen, Dublin Port Berth 29 Quay wall construction, APs ASU 1 and ASU 2, and many others.

STEEL FABRICATION

In 2022, we commenced construction of a new state-of-the-art steel fabrication building.

This building will more than double our capacity to produce high-quality heavy fabricated structures. We specialise in the design, manufacture and erection of steel bridges for our UK team across the many projects we do for Network Rail. We also service the wider market in Ireland. Our new stainless steel fabrication facility will further enhance our offering when it opens in May 2023.

New building
The new building will double our steel fabrication capacity

CLIENT: SOUTH DUBLIN COUNTY COUNCIL

RIVER DODDER GREENWAYS

The Dodder Greenway is a 17km premium walking and cycling route along the River Dodder corridor.

Since 2020, when the project started, we have been awarded a number of sections that make up the Dodder Greenway. The quality of work done by our skilled and dedicated directly employed workforce has ensured that we continue to win sections of the hugely valuable civic amenity project. The project is strongly promoted and well received by the people of Dublin.

Existing facilities
The full project will use existing facilities within the Dodder valley to connect the linear parklands

51k
Over 51k hours worked on the project during 2022

Ireland 2023 outlook

The order book across all Murphy Ireland sectors is strong. Murphy works across multiple sectors and has several medium to long-term contracts which allow us to absorb market and economic fluctuations. Recent framework wins for Gas Networks Ireland, Dublin Port and South East Water have further strengthened our position as we continue to concentrate on quality of order book. Material price inflation has slowed. Our preference for clients that retain inflation risk has greatly protected us from the volatility that has existed over the last two years.

OPERATIONAL REVIEW – CANADA

SUPPORTING CLIENTS THROUGH ENERGY TRANSITION

We are proud to be a key partner in the construction of some of the highest-profile energy infrastructure projects in North America. Through our Surerus-Murphy Joint Venture (SMJV), we are safely and sustainably delivering multiple key pipeline infrastructure projects throughout Western Canada. This includes our eight consecutive large-diameter pipeline projects on the expansion of the Nova Gas Transmission Ltd (NGTL) system.

Mick Fitzpatrick
Managing Director – Canada

COASTAL GASLINK

SMJV is the construction partner for the delivery of the first 140km of the 700km 48" pipeline transporting gas from the Montney Field of Northeast British Columbia.

The SMJV team has safely installed over 90% of the scope, traversing slopes of up to 50 degrees and over 300 watercourse crossings. Through the continued dedication of our team and our partners, the project is on track to be completed in the summer of 2023.

670km
Workforce over 10,000 delivering 670km 48" pipeline

2.1Bcf
This pipeline will feed British Columbia's first LNG export facility delivering 2.1Bcf of gas, meeting the global demand for cleaner energy

TRANS MOUNTAIN PIPELINE PROJECT

The Trans Mountain Pipeline Project is a critical piece of infrastructure that when completed will unlock world access to vital energy resources.

The 36" pipeline connects the oil sands production in Alberta to the west coast of British Columbia for marine transport to markets around the world. As a key delivery partner for over 180km of the total 980km new pipeline, SMJV has safely delivered over 75% of its scope through some of the more difficult terrain on the entire route, including over 50 trenchless crossings and a 4.2km micro tunnel programme under traditional Indigenous lands, one of the longest micro tunnel programmes delivered in Canada.

Working together
During construction, over CAD$4.8bn of Indigenous contracts were awarded

980km
The additional 980km of pipeline will help to streamline the distribution of natural resources available for export.

OPERATIONAL REVIEW – CANADA CONTINUED

Open cut installation of the Elk River

ELK RIVER

The Elk River project is a 40km section of 48" Edson Mainline natural gas pipeline to loop the existing gas transmission lines in this area.

Throughout 2022, the crews completed all the mechanical installation of the pipeline, including hydrostatic testing, caliper pigging and drying, allowing SMJV to hand over the pipeline to the client a month ahead of schedule for the introduction of gas. Final civil works on the project are scheduled for completion in Q1 Winter 2023, taking advantage of frozen conditions.

40km
A key addition to the 93,300km network, delivering 25% of North America's energy supply

Flathead Ridge, approximately 1,000m with slopes of over 40 degrees

ELKO

The British Columbia Mainline Loop No. 2 (Elko Section) project located just east of Fernie British Columbia.

A section on the Elko project known as 'Flathead Ridge' is the highest elevation on the NGTL and Foothills pipelines at over 2,000m above sea level.

SMJV mobilised to site in June 2022 and, throughout the summer and fall, completed the initial phase of the works – setting the platform for project completion in 2023.

300,000m³
of local stone used for construction access

2,000m
The Elko project is the highest point on the NTGL network at 2,000m above sea level

Canada 2023 outlook

As a leading contractor in the Canadian energy sector, our continued safe and efficient delivery of current world-class projects is critical to both our business and the Canadian economy. Of similar importance as we look to the future is a clear focus on the energy transition and how we can support our clients in the delivery of our collective 2030 commitments. SMJV is currently working as a construction delivery partner in the development of several carbon capture and renewable projects in 2023 and beyond.

ENGINEERING EXCELLENCE

BETTER ENGINEERED SMARTER, SAFER, FASTER, GREENER

We are looking forward to ongoing success in 2023 – be it planning the world's largest cement-free concrete pour, driving efficiencies or expanding our use of machine control and learning.

Richard Sutherden
Engineering Director

Engineering summary 2022

2022 was a year of significant growth for the Engineering function. We strive for continual improvement using our engineering expertise to drive advantage, minimise error and give us control.

During the year, we have focused on our people, growing capability and supporting their development through clear career paths, support, and in-house engagement and training. We have reduced carbon, driven efficiencies, reduced error and raised our profile.

Technical capability and digital engineering

We have been growing technical expertise in all our core areas so we can take control, and drive risks down and opportunities forward with digital capability at the point of need, bringing further efficiency.

We grew our in-house design capability during the year, increasing the size of the team by 60%. This included capacity growth in civil and structural engineering, in digital engineering and in our geospatial team, with capability growth in electrical and substation design.

Quality

We aim to deliver operational excellence by doing the right thing, getting it right first time and driving out waste. We developed industry leading training, updated our Quality Procedures, improved controls and created a framework for delivering world-class quality.

Design management

The design phase on projects is where we have most opportunity for cost, programme and carbon efficiencies. We aim to deliver our designs on time, maximising value and efficiency. Our Design Management procedures were revised, extensively audited and tested, and we launched a Competency Framework giving clarity on accountability and competence to all.

Innovation and efficiency

We have driven innovation and efficiency hard across all areas. On LPT2, we used satellite monitoring to supplement our discussions with third parties and look for geological hazards. We have also undertaken extensive trialling and use of cement-free concretes, both EFC and Cemfree. On the North Bristol Relief sewer, we used machine learning to predict the end of the tunnel drive.

ENGINEERING EXCELLENCE CONTINUED

Cambridge & Beaulieu Railway Stations

CLIENT: NETWORK RAIL

EFFICIENCY THROUGH BUILDING INFORMATION MODELING ('BIM')

New railway stations integrated into the existing operational mainline railway at Beaulieu (Essex) and at Cambridge.

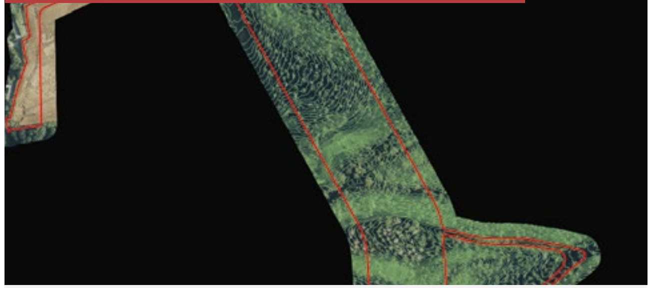
- Design and construction efficiencies supported by 4D modelling
- Cambridge Station will have a carbon net zero whole-life impact

We are actively measuring and reducing carbon on both projects to BREEAM targets. Sustainable materials such as glulam roof structures are being adopted.

Standardising details and elements such as precast walls and drainage drove efficiencies in the design and assurance process as well as in fabrication and installation. We optimised the public realm highway alignments, minimising material use, and reduced CFA piles and steelwork with modifying footbridge spans, and reduced canopy extents.

Our construction methods team reversed the original build sequence, allowing more station works outside possessions.

Equinor UK Extension Onshore Cable Corridor and Substation Site FEED Study



CLIENT: EQUINOR

LEADING THE WAY THROUGH DESIGN

This significant renewable energy scheme consists of a 60km onshore cable installation from Weybourne landfall to Norwich substation.

- Led all engineering, design and survey work for DCO submission
- Multi-disciplinary FEED reports and contract documentation prepared

We completed all engineering and consultancy work in-house for the UK Extension Onshore Cable Corridor and Substation Site FEED study. This included FEED Reports for the 220kV (AC) cable system design, the onshore cable installation, substation earthworks & drainage and the landfall associated with this significant project. We also produced cost and programme estimates for the project.

Supporting this was our full GIS model including all physical, environmental and ecological restrictions and constraints. We designed and managed all ground investigations and associated interpretation. Murphy has confirmed an expression of interest to receive the ITT once released and look forward to tendering for the works.

The Transpennine Route Upgrade

CLIENT: NETWORK RAIL

DIGITAL EXCELLENCE & COLLABORATION

The Transpennine Route Upgrade ('TRU') is a truly transformative programme bringing better connections between York and Manchester, via Leeds and Huddersfield.

- Driving innovation across TRU with extensive use of FRP and standardisation
- 4D BIM with full asset tagging and digital field tools at point of need for whole asset life

We are delivering the civil and structural elements of the scope, in an Alliance as principal contractor, with Volker Rail, Siemens, Systra and Network Rail.

Our digital technology on TRU East has been critical to the way the designs have been developed and assured. Through the use of BIM, we provide design assurance, clash detection, materials and costs, set out future maintenance schedules and identify the embodied energy and CO_2 footprint. With asset tagging and logging of CDM/CSM hazards onto the Federated Model, we bring safety benefits for ourselves and the end user.

APPROACH TO ENVIRONMENTAL, SOCIAL & GOVERNANCE

DELIVERING WORLD-CLASS INFRASTRUCTURE

We take it as a given that we must deliver our projects to time, cost and the highest standards of quality and safety and we recognise the opportunity this also affords us to improve the environment, the communities we serve and the lives of the people who work for us.

John Kinirons
Group Safety & Sustainability Director

Our purpose to improve life by delivering world-class infrastructure is the beating heart of our ESG strategy and drives our approach. We take it as a given that we must deliver our projects to time, cost and the highest standards of quality and safety, but we also recognise that this affords us the opportunity to improve the environment, the communities we serve and the lives of the people who work for us.

At the beginning of 2022, we commissioned an independent external review of our existing sustainability approach and concluded that we needed to draw the various strands into one cohesive ESG story supported by appropriate governance. Thus we formed our ESG Committee as a sub-committee of our General Executive Committee (GEC) and allocated individual accountabilities for specific elements under the banners of Climate Action & Safety, Social Value and Governance. The ESG Committee is supported by our Climate Action Council and Social Value Committee comprised of representatives from each of our three countries, who are involved in, can champion and take ownership for the understanding, embedding and implementation of these specific agendas across Murphy.

The following pages set out the detail of our ESG progress and achievements during 2022, of which there are many. Most notable of these include achieving our lowest-ever accident rates through a laser focus on getting the basics right in relation to the management of our fatal and severe risks. This is an excellent result considering that we worked over 27 million hours on our projects, however, we are under no illusion that there were occasions where we 'failed lucky' reminding us that to achieve our 'Never Harm' goal we must always be 'actively dissatisfied' when it comes to our safety performance.

Environmental (Climate Action & Safety)

John Kinirons

- Climate risk
- Net Zero & Decarbonisation
- Air/Water/Biodiversity
- Circular Economy/ Resource Depletion
- Safety
- Health & Wellbeing

Read more on **p24**

Social Value

Dawn Moore

- Diversity & inclusion
- Economic & Social Contribution/Community
- Human Rights
- Gender Pay

Read more on **p43**

Governance

JP Murphy

- Business Ethics & Conduct
- Corporate Governance
- Payment Practice
- Modern Slavery
- Bribery & Corruption
- Risk Management
- Internal Controls
- Privacy & Data
- Tax Strategy

Read more on **p47**

Regulatory Compliance

ALIGNING WITH THE UNITED NATIONS SDGS

SUSTAINABLE DEVELOPMENT GOALS

We are in full support of all 17 of the Sustainable Development Goals (SDGs) produced by the UN, and work hard to ensure we promote and contribute to them wherever possible. We have highlighted the eight SDGs with maximum potential for us to benefit the environment and communities where we do our work.

SDG	3 GOOD HEALTH AND WELL-BEING	5 GENDER EQUALITY	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH
Focus of the goal	Ensure healthy lives and promote wellbeing for all, at all ages.	Focus on cultivating greater gender inclusivity across our business.	Ensure access to affordable, reliable, sustainable and modern energy for all	Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all
How Murphy aligns to the goal	Ensuring healthy lives and promoting wellbeing is rooted in our 'Never Harm' value and runs deep through Murphy culture. We have a particular focus on mental health and preventing suicide, which is 3x higher in our industry than the national average.	We focus on cultivating greater gender inclusivity across our business. We aim to employ a workforce that is reflective of the diverse society in which we work; becoming more diverse and inclusive is a key strand of our People Team strategy.	Ensuring access and promoting sustainable energy is a key component of our business. Along with contributing to the direct delivery of green energy infrastructure, we are also investing in 100% of our energy coming from renewable sources by 2026.	We are committed to delivering steady, sustainable growth. We're strengthening our resilience across the Group, improving contract selectivity, enhancing relationships, generating a strong cash position and providing job opportunities.

SDG	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION
Focus of the goal	Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation.	Reducing inequalities and ensuring no one is left behind are integral to achieving the Sustainable Development Goals. Inequality within and among countries is a persistent cause for concern.	Our planet has provided us with an abundance of natural resources. We must use them responsibly and sustainably, to reverse the harm inflicted on the planet in the past.	Take urgent action to combat climate change and its impacts.
How Murphy aligns to the goal	Our purpose is to improve life by delivering world-class infrastructure. We do that by 'always delivering' and 'continually improving' – challenging the usual ways of doing things. We aim to minimise our impact, reduce waste and promote sustainable productivity.	Our work contributes to communities by providing inclusive infrastructure for a more sustainable future, alongside investment in economies wider than our own. We actively support our workforce and value chain equally, with the opportunities, skillset and network to thrive.	We're committed to making sure ethical, sustainable procurement decisions are at the heart of each project, driving innovation through material selection and low-carbon production methods and use across the full length of the value chain to reduce our ecological footprint and help conserve precious natural resources.	Our strategy for 'A Greener Murphy' directly drives an ambitious rate of climate action in our business towards net zero by 2030, engages and encourages our supply chain, and progresses the wider industry towards UK and global goals.

HEALTH, SAFETY & WELLBEING

SIMPLIFICATION & CLARIFICATION DRIVES PERFORMANCE IMPROVEMENT

Our 'Never Harm' value is our cornerstone value and underpins everything we do at Murphy. Coupled with our self-delivery model, this means that we drive a different approach whereby our safety performance is measured both by the presence of positive actions and the absence of accidents.

During 2022, we continued with the implementation of the simplified Never Harm strategy that we developed in 2021 focused on four key priorities, namely leadership, supervision, culture and standards.

Simplification and clarification drive performance improvement

Analysis of our safety data and feedback from our front-line teams indicated that our management systems had become too large and complex, and therefore required simplifying so that there was no ambiguity in relation to expectations or accountabilities. Thus we adopted a two-pronged approach: firstly stripping back our processes and procedures to cover the essential requirements while defining the accountabilities for each step; and secondly, developing a set of visual standards for our front-line teams to identify the controls we expect to see in place associated with our fatal and severe risks. The visual standards were developed in both 2D and 3D format so that they can be accessed by anyone at the point of work via QR code. They are also used as training aids in our Supervisors Development Programme so that there is no ambiguity in relation to our expectations. This was supported by the development of our Knowledge Hub to bring together technical knowledge and information, lessons learnt and case studies to help us always deliver safely and to a high standard.

Fatal and severe risks

- Lifting
- Work at height
- Avoiding underground services
- Electricity
- Safe plant operations
- Driving

Leadership

Our leadership teams demonstrate **visible** and **effective leadership** of our Never Harm value.

Supervision

Our supervisory teams take pride and ownership in their work areas. We equip them with the **tools to deliver Health & Safety** excellence in their roles.

Culture

Our people consistently make the **right choices**.

Our project teams and supply chain partners embrace Health & Safety challenges as a collective.

Standards

We outline **clear expectations** and utilise our assurance programme to check our progress. We quickly identify, share and embed learning across our projects.

HEADLINE HEALTH & SAFETY PERFORMANCE 2022

0.07 -30%
Lost Time Injury Rate
(2021: 0.11)

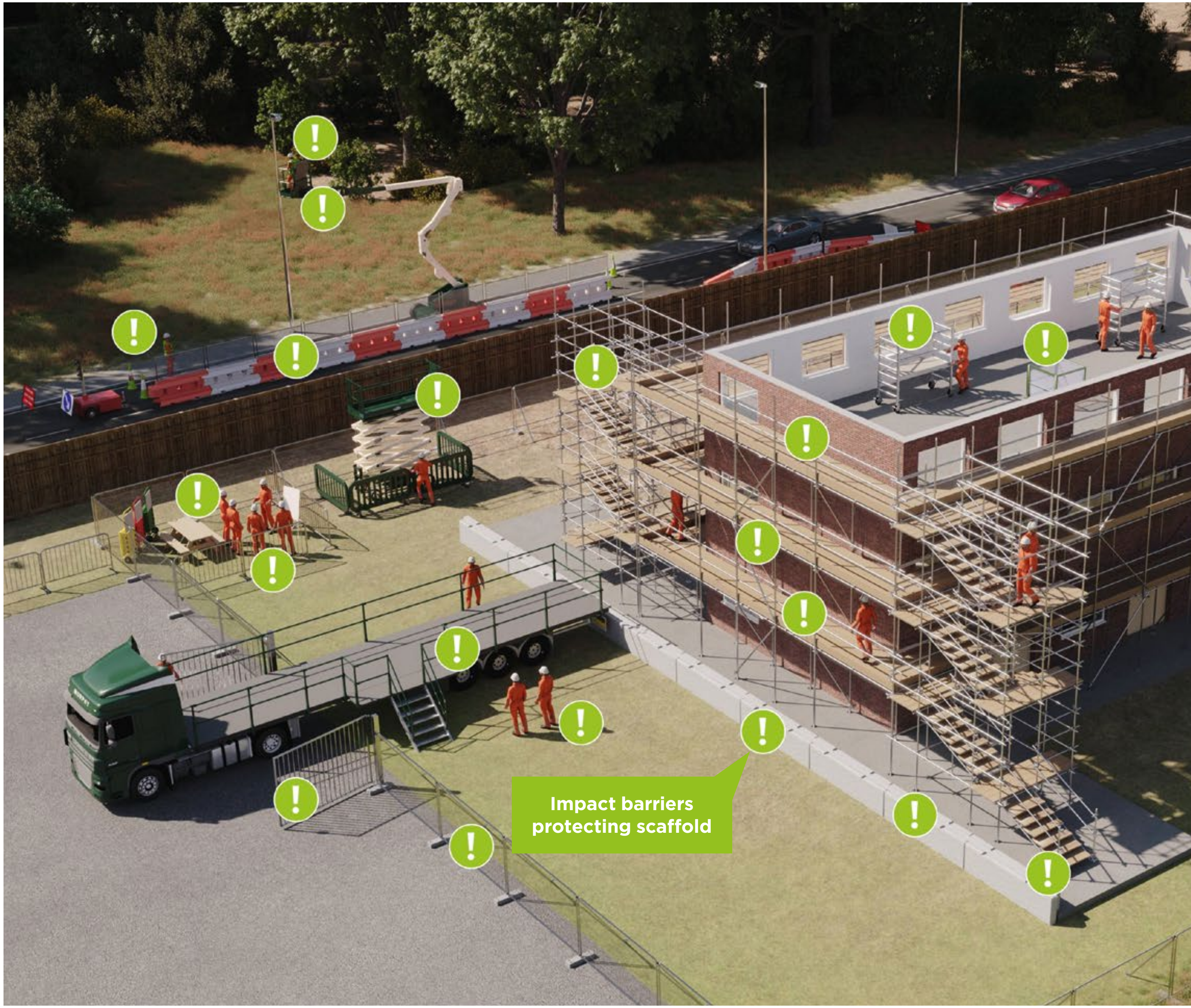
0.05 -38%
High Potential Incident Rate
(2021: 0.08)

7,132 +19%
Number of feedback cards raised
(2021: 5,976)

414 +78%
Directors Safety Tours completed
(2021: 233)

27.1m +25%
Hours worked in 2022
(2021: 21.6m)

HEALTH, SAFETY & WELLBEING CONTINUED



HEALTH AND SAFETY HOTSPOTS

KEEPING SAFE ON SITE

Our visual standards bring our expected controls to life at the point of work, where it matters the most – to our operational teams.

These are a series of interactive 2D and 3D representations, accessed by QR code at the working front. Based on feedback we've received, we intend to expand these in 2023.

HEALTH, SAFETY & WELLBEING CONTINUED

Wellbeing Hub and information

We take a holistic approach to the health and wellbeing of all our employees and have a varied campaign calendar each year to ensure our employees continue to receive information and support on a variety of topics.

We have created specific information hubs where our employees can assess information 24/7. This ensures that our employees have centralised information on topics that may affect them and their families.

We have found that videos documenting our own employees for campaigns for better health and wellbeing has had a much greater effect. Other workers can relate better to people they know.

Ensuring that our staff are fit and healthy to work is paramount and, during Covid, some of the medicals we undertook needed to be suspended due to the medical restrictions in place. In 2022, when these restrictions were lifted, 92% of our operational teams completed a Health Surveillance Medical.

We also completed 'Know Your Numbers' days in our office location the results of which confirmed that 100% of attendees having a low cardiac risk and 88% having healthy diabetes levels.

In line with our operating model, we are now moving towards more self-delivery in terms of our wellbeing offering. We started this year by delivering a full suite of mental health training internally, through our in house Occupational Health (OH) Team. This will expand in 2023 to cover OH hygiene and case management.

CLIENT: NATIONAL GRID PLC / NATIONAL GRID VENTURES

SELLINDGE HEALTH HUB

In May 2022, we officially opened a 'Health Hub' – a wellbeing concept for our people working around the clock on National Grid's IFA interconnector project at Sellindge in Kent, UK.

The hub offered everyone on-site gym facilities, a communal area to watch TV or relax, a wellbeing room, a multi-faith room and a canteen designed around healthy eating. The aim of this facility was to give everyone working on the project a few home comforts as well as some new skills and knowledge about physical health, mental health and nutrition.

This project was a prototype to understand from our employees what facilities they need on-site, so we can look to roll out a minimum standard for mental health and wellbeing across all our projects in the future. We are already implementing wellbeing rooms into our regional offices, so colleagues have a safe space to have conversations about their mental health.

The Health Hub is one step, but our industry recognises that, collectively, we need to do more on mental health for all workers. We have also signed up to the new Construction Health Consortium being established by National Grid and Considerate Constructors.

We want to develop an industry-wide approach to improve the mental health and wellbeing of construction workers. Together, we must keep pushing the standards upwards if we want to remove the stigma around mental health and encourage everyone in the industry to prioritise their health overall.

HEALTH, SAFETY & WELLBEING CONTINUED

How we used our Cultural Development Programme to improve performance

2022 saw 12 years of cultural development at Murphy. We have worked hard to keep our Culture Development Programme (CDP) relevant and focused on the opportunities and needs of the construction industry today. Through our CDP we support a culture in all aspects of our Never Harm value, focusing on topics such as sustainability and how we promote positive mental health across the business. Through our approach we have achieved a culture where the people we work with live and practice our values every day:

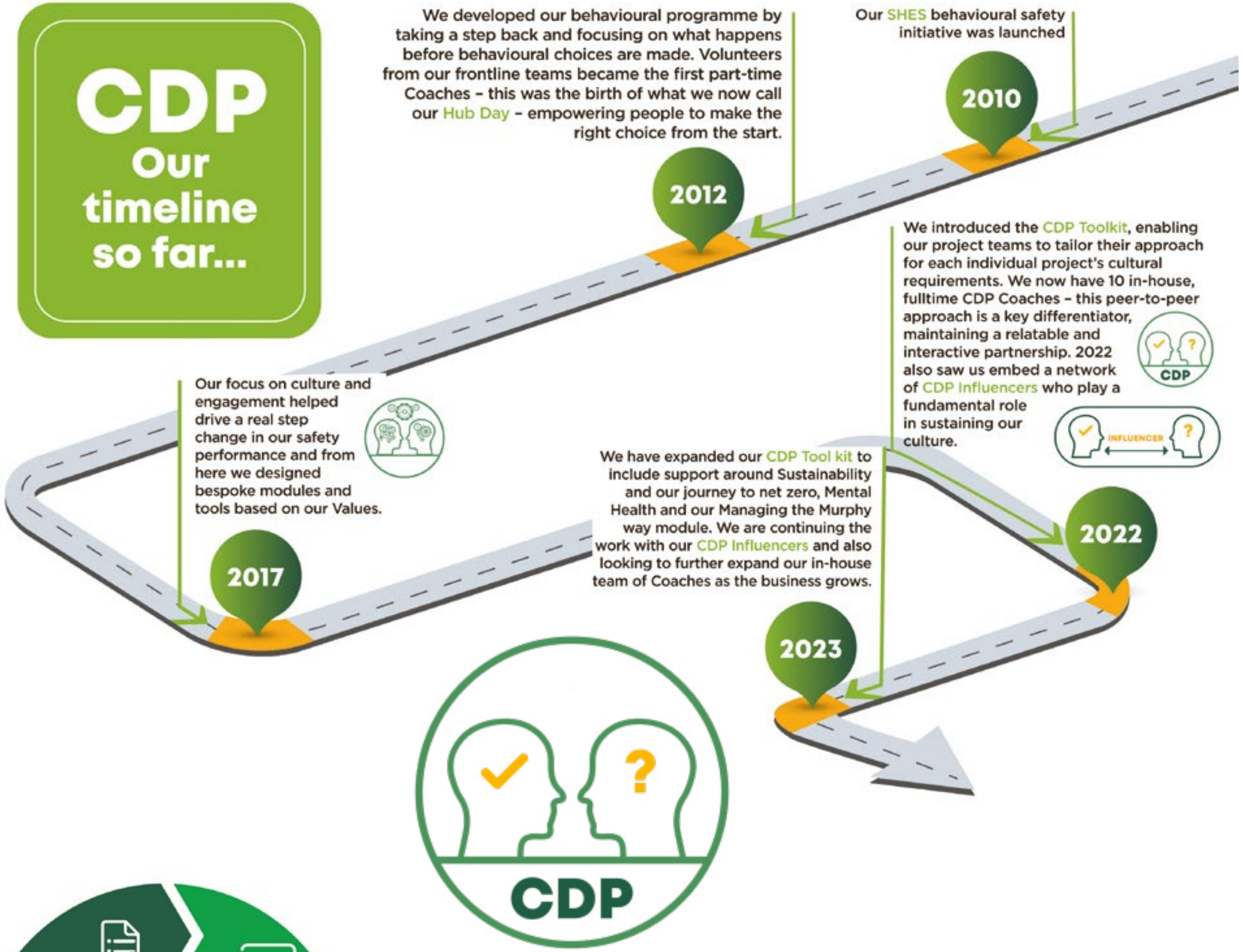
Purposeful Leadership
93% of our people believe their line manager's actions support a positive culture

Never Harm
Achieved 30% reduction in our Lost Time Injury Rate

Continually Improve
95% of people believe they can use the learning within their role.

As well as being passionate about direct, we recognise and value our trusted supply chain. Over the course of 2022, we have reached out and engaged with over 1,200 members of our supply chain through our CDP. This allows us to achieve a collaborative culture founded on a strong set of values.

One of the fundamental tools we launched in 2022 was our Murphy Success Cycle. This tool is critical in how we set a coaching culture that continues to strive for marginal gains and delivers operational excellence.



CLIMATE ACTION

OUR ROAD TO NET ZERO: THE JOURNEY SO FAR

We've continued to make great progress against our ambitious Climate Action Plan, 'A Greener Murphy' – **2022 saw our biggest emissions reduction to date, at 16.8%** vs 2021 – a great sign of our trajectory as we drive towards net zero by 2030. Our progress aside, we're committed to making this our most sustainable decade yet.

Our Murphy at 75 Climate Action targets:

£75m
Invest over the next five years in state-of-the-art, environmentally-conscious plant, equipment and vehicles

50%
Net reduction achieved in emissions over the next five years, to coincide with our 75th anniversary

5,000 trees
We will plant 5,000 trees per year, including one for every new starter to grow with their career

Diverting 100%
of avoidable waste from landfill and embracing the circular economy principles to promote resource productivity by 2025

100%
renewable electricity for our business by 2025

75 schools
To mark our 75th anniversary, we will engage with 75 schools by 2026 to educate the next generation on climate change, global biodiversity issues and lower-carbon living

2022 highlights:

- Achieving a further 16.8% carbon reduction from 2021 – our biggest reduction on record.
- Our cumulative emissions reduction total now sits at 39.88% since our 2019 baseline – strengthening our position to achieve our 50% reduction target by 2026.
- Listed as an A-rated business for supplier engagement for our 2022 Carbon Disclosure Project (CDP) assessment. Overall company score of B.

Next steps:

Our commitment to continued development has informed the following ambitions which we will be focusing on in 2023.

- Committed to validate our emission reduction targets through the Science Based Targets initiative aligned to 1.5°C in 2023.
- Expanded capability to categorise and calculate our full Scope 3 inventory – in line with the GreenHouse Gas (GHG) Protocol.

CLIMATE ACTION CONTINUED

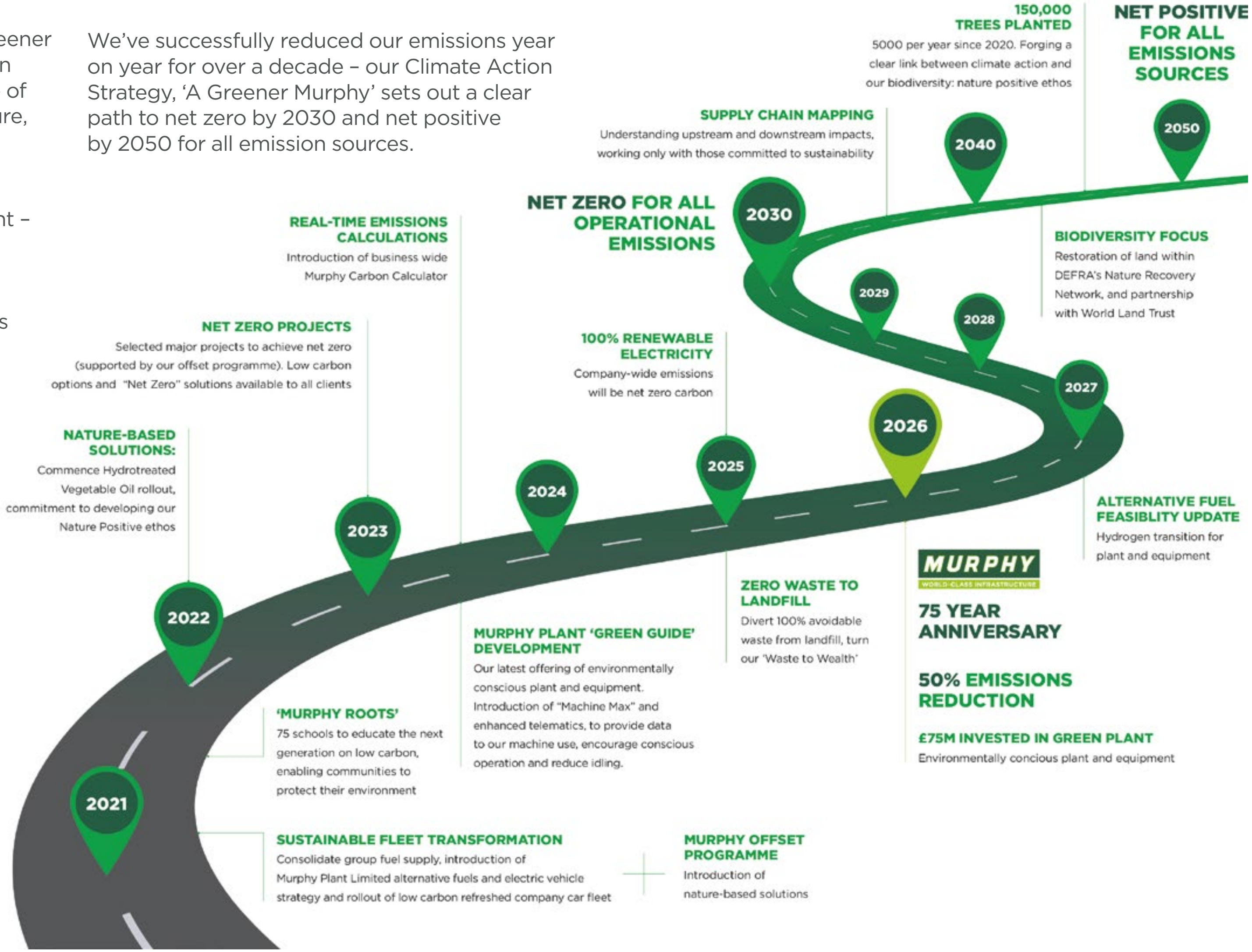
OUR MURPHY AT 75 COMMITMENTS

Operating responsibly

We are committed to working towards being 'A Greener Murphy'. We recognise we have a vital role to play in enabling climate action – it's central to our purpose of improving life by delivering world-class infrastructure, and is reinforced by our Never Harm value, which incorporates both people and planet.

Everything we do has an impact on the environment – with that comes a responsibility to embrace new ways of working to reduce our emissions, minimise waste and make best use of precious resources – ensuring our legacy is positive, through the projects we deliver, communities we engage with and ecosystems we encounter.

We've successfully reduced our emissions year on year for over a decade – our Climate Action Strategy, 'A Greener Murphy' sets out a clear path to net zero by 2030 and net positive by 2050 for all emission sources.



CLIMATE ACTION CONTINUED

Driving climate action
Sustainable fleet transformation

Key to our emissions reduction is our continued investment through Murphy Plant – ensuring our projects are set up for success and are equipped with the latest in environmentally conscious plant and equipment in order to deliver stretching emissions reduction targets.

2022 highlights:

£34.5m
A further £34.5m invested in state-of-the-art, environmentally-conscious plant and equipment

96%
Full electric (BEV) in every company car grade – 96% of our orders are BEV or PHEV

62.3kg
Record low CO_2 company car fleet, average 62.3kg

100%
Commenced rollout of 100% pure HVO fuel dispensed from our UK Murphy Plant depots

Green Guide
Reissue of updated Green Guide giving our projects access to the latest environmentally-conscious plant to reduce carbon emissions

Solar welfare vans
Introduction of solar welfare vans and solar panels on HGV cabs

CLIENT: SOFIA OFFSHORE WINDFARM

HUSSH PODS

The combined 2.5 GW Sofia and Dogger Bank C Offshore Wind Farms are situated on the shallow central area of the North Sea known as Dogger Bank, between 120-190km from the nearest point on the UK's North East coast.

Murphy is undertaking the onshore cable works, comprising 7km of trench excavation and duct installation. Micro tunnelling commenced in November 2022 to install cables beneath the Tees Valley Railway Line, and other obstacles such as roads and watercourses will be avoided using Horizontal Directional Drilling (HDD). Upon completion, the two projects will provide renewable power to support more than 2 million UK homes.

In order to minimise disruption to local landowners and communities, Murphy is installing the DC circuits for the Sofia and Dogger Bank C projects in parallel. This approach also realises significant installation efficiencies by combining the easement.

To support a project that will deliver renewable 'clean' energy to more than 2 million UK homes, we felt it was important to do what we could to minimise the emissions and environmental impacts produced during our works. This ties into our Murphy at 75 vision of being the leading family-owned construction company, and beyond to our goal of being net zero by 2030.

Scott Marsden
Senior Project Manager

Fuel savings

The Murphy team used Hussh Pods on this project – a range of lithium battery-powered chargeable units which are a cleaner, greener supplement designed for use with diesel generators. The Hussh Pods reduce generator run time and fuel usage, as well as CO_2 and noise emissions.

This proved a good move, resulting in significant benefits for the project over the course of a year.

£47k
diesel savings

63%
reduction in generator run time

82,730kg
CO_2 reduction

CLIMATE ACTION CONTINUED

ENVIRONMENTAL STEWARDSHIP TAKING CLIMATE ACTION BEYOND EMISSIONS REDUCTION

Our responsibility and approach extend beyond just reducing emissions – the very nature and scale of our work means our expert teams successfully manage the risk posed from other key physical environmental aspects on a daily basis – water, air, land and a variety of ecology we encounter, alongside the inevitable waste produced whilst working to create a more sustainable future. Wherever possible, our teams provide innovative solutions to bring mutual value to both project and the environment, whilst positively contributing to the communities in which we work.

Educating the next generation

Engaging with 75 schools through our 'Murphy Roots' programme

To mark our 75th anniversary in 2026, we've committed to engaging with 75 schools by 2026 to support local community projects, plant trees and help educate the next generation on climate change and global biodiversity issues.

Over the last two years, we've engaged with:

38 schools across the UK and Ireland, hosting educational events and community projects and planting over **2,250 trees** in the process.

All these schools have been nominated by employees – supporting their families and communities.

A wide range of trees have been donated, from willow to birch to fruit trees, promoting local species diversity.

CLIMATE ACTION CONTINUED

Resource productivity & circular economy
Driving a culture of waste to wealth

We're increasing resource productivity to make the most of finite natural resources, encourage a circular economy contribution and deliver industry-leading waste reuse and recycling rates.

2022 highlights:

99%
Achieved over 99% diversion from landfill – our highest rate to date, and one step closer to Zero to Landfill

96%
Full electric (BEV) in every company car grade – 96% of our orders are BEV or PHEV

40%
Produced 40% less waste (in tonnes) on our projects, reducing our waste intensity (waste generated / £m turnover) by over 51% vs 2021

100%
Delivered industry-leading recycling rates – including 100% of plastic waste in our business and 100% of office-generated waste streams recycled or repurposed

76.7%
Recycled or reused 76.7% of all waste produced on our projects – and we're targeting a further 15% by Murphy at 75

FOSSIL FREEDOM – USING MORE WASTE TO POWER OUR PROJECTS

Started our rollout of Hydrotreated Vegetable Oil in 2022

Our alternative fuel strategy is an integral part of our drive to net zero. As Hydrogen and other technologies mature, we see huge potential in transition fuels such as Hydrotreated Vegetable Oil (HVO) and other waste products which we've shown can be used to power our plant and equipment with the same productivity, but less impact.

We recognise the huge potential of several emerging fuels (including Hydrotreated Vegetable Oil and Hydrogen), some with exciting long-term prospects and some as transition fuels to help remove reliance on fossil fuels whilst we work hard to develop other innovative technologies and power solutions for our projects – as part of our plan for 'A Greener Murphy', we're not only targeting a long-term net zero goal, but we're tackling the cumulative emissions we'll continue to produce whilst we get there.

In 2022, after undertaking a full due diligence exercise to fully understand the impact of our purchasing decisions, we commenced rollout of a pure HVO via our Plant depots, made from 100% waste product – delivering >90% reduction in carbon emissions (amongst other benefits) in comparison to conventional fossil fuels. We're excited by the results, and in 2023, we plan to continue to build on this further, targeting 10% of bulk fuel in the UK.

CLIMATE ACTION CONTINUED

ACTION FOR BIODIVERSITY: THE OTHER SIDE OF THE CLIMATE EQUATION

Building a 'Nature Positive' business

The benefits of carbon reduction are well publicised – but our plans to create 'A Greener Murphy' aren't limited to emissions reduction, minimising environmental damage during our operations or constructing a better future purely for our own needs. The other side of the climate equation is a hugely exciting opportunity to embrace nature-based recovery and solutions as part of the journey.

Our 2022 'Nature Positive' campaign

In 2021, we made a commitment to biodiversity and developing a 'nature positive' business ethos, leading on the development of, and contributing to, the Buildings and Infrastructure section of the Council for Sustainable Business (CSB) handbook, supported by DEFRA – in order to better understand the impact of construction on nature and the action needed to help reverse biodiversity loss.

In 2022, we built on this commitment further and galvanised the link between climate and nature by extending the challenge to the projects we work on to encourage biodiversity and embrace the opportunity to be 'nature positive' wherever possible, with the view that even when working on the most challenging of sites – there is always something we can do for nature.

Our operational teams were tasked with demonstrating 'nature positive' action taken on our project sites across our three main geographies of the UK, Ireland and Canada. We linked this to our business-wide scorecard metrics, to build focus and drive action for nature.

The response was fantastic, we achieved **136 submissions** from across the business – ranging from forest restoration, wetland preservation and hedgerow installation to bug hotels and wildflower seeding, including several Biodiversity Net Gain submissions.

The whole business campaign resulted in the planting of over **30,000 trees**, including over **100 different varieties** and species of trees and plants – positively contributing to the environments and communities we work in.

Next steps:

Our nature positive approach puts nature and biodiversity gain at the heart of decision-making and design. It goes beyond reducing and mitigating negative impacts on nature as it is a proactive and restorative approach focused on conservation, regeneration and growth.

Contributing wider than the boundaries of our own organisation...

We believe there is plenty more we can do to ensure biodiversity becomes a keystone of our environmental policies and are excited by the opportunities brought about by embracing nature as an integral part of infrastructure – we're excited to build on the progress and momentum made in 2022 and, in 2023, we will release our new Group Biodiversity handbook to showcase the very best examples, and update the CSB handbook so that our lessons learnt can be shared across the industry.

As nature science-based targets develop, we will assess our impact on nature and prioritise where we need to take action to meet global and planetary boundaries.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ('TCFD')

Climate Related Governance

We welcome the drive to appropriately assess climate-related risks and opportunities instigated by the industry-led task force: the Task Force on Climate-related Financial Disclosures (TCFD) – we have aligned the following summary to the recommendations to present a transparent and consistent disclosure of our climate risks and opportunities, around four key pillars:

1. **Governance**
2. **Risk Management**
3. **Strategy**
4. **Metrics & Targets**

We are relentlessly committed to taking climate action where it's most needed in our business – targeting net zero by 2030 for direct emissions and net positive for all emission sources by 2050. With an ambitious plan in place, and an engaged workforce and supply chain, it is key we understand the level of change required to build our business resilience, actively reduce our emissions and be part of the solution to reverse the devastating global effects of climate change. Taking responsibility for climate-related issues at the highest level of governance is of prime importance to us – the Executive Risk and Opportunity Committee (EROC), which is a subcommittee of the Group Executive Committee (GEC), is responsible for reviewing and monitoring the principal risks affecting the business, including climate-related risk and opportunities.

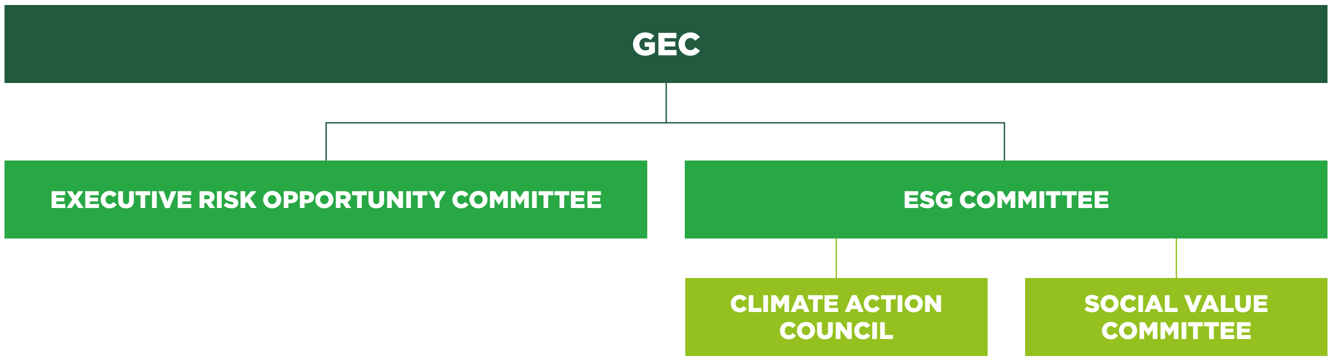
The GEC is ultimately responsible for climate-related strategy and its implementation, and includes our Group Safety & Sustainability Director – these individuals also have budgetary control and insight into future investments and a growing workbook in order to allocate sufficient resource and ensure our strategy is aligned to the wider direction of the business.

In 2022, we formed our ESG Committee to take direct accountability for TCFD-related reporting, chaired and attended by members of the GEC, with sub-working groups of our Social Value Committee and the Climate Action Council – including representatives from a full spectrum of Murphy geographies, sectors and functions in support of our ESG Policy, including our Climate Action Plan 2020-2050, 'A Greener Murphy'. To support them, our Group Environment Forum comprises IEMA-approved in-house sustainability professionals, who feed expertise into the working groups and advise on climate-related issues.

The Climate Action Council is challenged to gain input from all aspects of the business, discuss the merits of climate-action-related ideas, challenges, priorities and innovations raised throughout the Group, channel suggestions from all levels and roles into one place for debate on potential implementation, enable a process for best practice and case study submission for potential inclusion in the company ESG report, and disseminate information back to business units and functions to enable the most impactful suggestions and changes. The group meets quarterly, and collates feasible outputs to contribute to emissions reduction and feeds into the Executive ESG Committee.

The Murphy TCFD timeline:

2019:	Achieved 30% emissions reduction one year ahead of target. Introduction of Climate Action as a strategic objective in the Murphy at 75 strategy and integration into objectives to combat climate-related risk at the highest level of our business.
2020:	Introduction of our Climate Action Plan to build 'A Greener Murphy', setting our path to 2050. Rebaselined to target a 50% reduction by our 75th anniversary – more than tripling our rate of reduction!
2022:	Signed up to the Science Based Targets initiative, committing to aligning our emissions reduction to 1.5 degrees Celsius.
2022:	New ESG Committee formed, which subsequently recommended that climate-related risk is elevated to Principal Risk and assessed in its own right as part of the Q1 2023 review.
2023:	Our climate change targets to be submitted to the Science Based Targets initiative (SBTi) for validation.
2024:	Further development of our TCFD approach, incorporating international subsidiaries of the Murphy Group.



TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

Strategy
A changing landscape....

With unprecedented global temperatures, and extreme and unpredictable weather events on the rise, the environments and markets we operate in are changing – it's imperative we continue to identify, mitigate and reduce climate related risk to our business and, conversely, the risk posed from our business to the climate.

Our Climate Action Strategy is a clear, transparent, targeted approach to achieving 'A Greener Murphy' – we have distilled the net zero challenge down into actionable 'operational' focused targets to ensure climate action is at the heart of project delivery, and at the highest level of our business, the GEC has set six Murphy at 75 Climate Action Targets to be achieved in conjunction with our 75th anniversary in 2026.

These consist of:

1. Investing £75m in green plant to reduce our emissions.
2. A 50% net reduction in emissions by 2026.
3. 100% renewable energy for our business by 2025.
4. Diverting 100% of avoidable waste from landfill by 2025.
5. Plant trees: we will plant 5,000 trees a year.
6. We will engage with 75 schools by 2026 to educate the next generation on climate action.

Along with the above, the GEC has also committed to setting and verifying targets in line with the Paris Agreement of limiting the global temperature increase to 1.5 degrees Celsius by signing up to the Science Based Targets initiative – our validation of these targets is due in 2023.

Our challenge is three-fold: decarbonise our operations to net zero by 2030; enable our clients to do the same through low-carbon construction and innovative material selection for their assets and in doing so, collectively decarbonise society.

Climate Action is one of Murphy's key strategic objectives, extending our Never Harm value into the communities and environments we work in, and the planet we occupy.

Our road map to net zero can be found on page 29.

Risks and Opportunities – our methodology:

Climate-related Risks and Opportunities are prioritised using a matrix scoring system that considers the likelihood of occurrence, the severity or size of the risk or opportunity, the timescale and the reputational/ financial significance – the level of residual risk determines the level of control required and triggers a series of action plans to mitigate. The process for identifying climate-related risks and opportunities from climate change is incorporated within the Company's overall approach to management and compliance. Strategic risks are discussed at the Executive Risk and Opportunities Committee (EROC) and reviewed by the Risk and Opportunities Board Committee.

Our project management teams assess and manage climate-related risks and opportunities through our project controls, our project level Aspects & Impacts registers and associated Environmental Management Plans – arrangements to capture lessons learnt enable project experiences to be captured and fed into the wider business.

Net zero progress to date – 'Platinum Certification' Carbon Reduction (ISO 14064). Emissions reduction for 14 years:

30%
Achieved 30% emissions reduction 1 year early
(Currently 52.53% emissions reduction since 2009)

50%
Now targeting a 50% reduction by Murphy at 75

16.8%
In 2022, reduced a further 16%:
now totalling 39.88% since 2019

Net zero
Targeting net zero by 2030 for direct emissions

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

Risk Management
Material Climate-related Risks and Opportunities identified, categorised by physical and transitional factors:

Timeframe	Risk	Opportunity
Short (0-3 years)	**Physical** • The temperature increases we are experiencing year on year are bringing about more extreme and extended heatwaves puts the health and safety of our predominantly outdoor workforce at increased risk. **Transitional** • The frequency of Climate-related Disclosure Regulation has risen over recent years and with ever more ambitious government targets, this trend appears set to only continue. The failure to comply with this emerging legislation could result in fines and reputational damage, disrupt project timelines and, ultimately, have a knock-on impact on projects/services and profitability. • Our recruitment data shows that sustainability performance has become a priority to this generation of graduates and apprentices when choosing a place to begin their careers. If we under perform in key environmental areas, there a significant risk of not obtaining young talent, essential for the continued growth of the business.	**Physical** • Support and promote biodiversity in the communities we work in by offering nature-based solutions on or projects that allow wildlife to thrive to help counter global species loss. **Transitional** • Embed a 'green conscious' within our graduate recruitment programmes so that we have the next generation of climate enthusiasts across all functions of our business, who will enable the business to seize the most opportunity from a transition to a green economy.
Medium (3-10 years)	**Physical** • With the increased rate and severity of unplanned weather events comes the risk of more frequent and extended unexpected delays to project programmes, posing a significant financial impact. • As we begin to experience more extreme weather events, increased global temperatures and rising sea levels, our supply chain will be forced to adapt along with us. This impact will likely cause supply shortages, increased prices and the loss of products/services, and thus incurred costs. **Transitional** • The implementation of further regulatory restrictions on the way we and our supply chain operate (i.e. combustion engine and red diesel bans) will mean we must change our current methodology or risk fines or the halting of work. The necessary shift in approach will carry an increased financial risk. • As society become more environmentally conscious, there will be an increased focus on sustainability performance from consumers and clients. Therefore, an increased reputational risk associated with 'greenwashing' or falling below expected standards.	**Transitional** • The increase in regulatory restrictions will offer us an opportunity for innovation in the way we operate. Whether it be through investment in green plant and equipment or alternative fuels.
Long (10-50 years)	**Physical** • Global supply of finite materials and resources that are essential for the infrastructure industry will come under strain. This will cause supply shortages, increase costs and risk our current mode of operation. **Transitional** • The increased demand for sustainability professionals in a future 'green economy' is likely to cause a green skills gap across the industry and wider economy which could limit our pace of transition and ability to effectively adapt. • The markets we operate in will change as society moves towards net zero. There will be a change in the viability and funding of existing projects and a switch to investment into more sustainability driven workstreams. There is a risk of not gaining access to these markets if the business fails to address and underperforms on climate-related issues.	**Physical** • As the global supply of finite materials and resources that are essential for our current operations become scarce, there is an opportunity to find innovative and creative new engineering solutions. Capitalising on this opportunity could put the business at the heart of developing the generation of sustainable materials for the industry. **Transitional** • The UK Governments commitments that will oversee the country's transition to a net zero economy require large investments into green infrastructure. This provides us with the opportunity to access these new markets and utilise emerging technology in the process to grow revenue. • Given how important the role infrastructure will play in tackling climate change and in limiting its negative impacts, there is a great opportunity to further our purpose of improving lives by delivering world-class infrastructure by being at the forefront of sustainable infrastructure implementation.
Impact on Business Model and Strategy	The core risks facing our business and operations in the short, medium, and long term are project and supply chain disruption due to extreme and severe weather, a green skills gap within the company and not gaining access to new markets by underperforming on climate action. Failure to address these correctly will result in increased costs, a loss of revenue and the inability to adapt to a changing market. To address these, we have laid out an ambitious Climate Action Strategy 'A Greener Murphy' which sets out stretching targets including net zero by 2030 ensuring we are in a position to innovate with the times.	The primary opportunity for our business is to capitalise on the large infrastructure investments that are required to transition into a net zero economy. This investment creates large potential for growing revenue as well as diversifying the capabilities of the business by expanding into emerging markets. We recognise that these green infrastructure projects will only be awarded to businesses that have the highest environmental standards and are aligned towards a common goal. In order to ensure we are in a position to grow from these emerging markets, we have incorporated Climate Action as one of our key strategic objectives, extending on our Never Harm value. This has resulted in, amongst others, the commitment to invest £75 million in green plant and equipment by 2026.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

Metrics and Targets

We've measured our social and environmental performance for over a decade – initially focusing on Scope 1 and 2 emissions. In 2022, for the first time, we have reported a full suite of emissions data, including Scope 3 for the UK. Having achieved a 30% emissions reduction one year early in 2019, we set our framework for Climate Action: 2020-2050 entitled 'A Greener Murphy' by calculating science-based targets to achieve net zero by 2030 for direct emissions and our long-term ambition of carbon net positive by 2050 for all emission sources – to coincide with our Murphy at 75 targets, we're targeting a further 50% net emissions reduction by 2026 (against our 2019 performance), effectively tripling the rate we've reduced over the last 10 years. We're committed to making this our most sustainable decade yet.

We have set stretching targets to mitigate the risks and realise the opportunities arising from climate change – since 2020, we have incorporated climate action-related KPI's into Group objectives. In order to realise the transitional opportunities of emerging markets, we are increasing our capability to deliver low-carbon projects for our clients.

In 2022, we tracked and verified a number of climate-related key performance indicators, including:

- £75m investment by 2026 in our "Murphy Plant: Green Guide", our offering of environmentally conscious plant and equipment – we are targeting £15m per year. In 2022, we exceeded this by >£20m. We're also tracking average CO_2 of our fleet and Company vehicles.
- A 50% net reduction in emissions by 2026 – verified to ISO 14064 through the Carbon Reduce Scheme. In 2022, our total to date was 39.88%. A disclosure of our data is included in this section.
- 100% renewable energy for our business by 2025 – in 2022, 10.6% of our energy was from renewable sources.
- Diverting 100% of avoidable waste from landfill by 2025 – achieved 99.8% in 2022
- Plant trees: we will plant 5,000 trees a year. Over 35,000 were planted in 2022 on our projects.
- We will engage with 75 schools by 2026 to educate the next generation on climate action – in 2022, we engaged with 38 schools.

2022 emissions summary

		2022	2021	% change
Scope 1 tCO_2e*	**Emissions intensity tCO_2e/£m turnover**	23	30	-23%
	Diesel	14,412	10,275	40%
	Gas oil	2,570	11,374	-77%
	Petrol	578	451	28%
	Hydrotreated vegetable oil (HVO)	3.0	0.2	1,500%
	Natural gas	121	126	4%
	Total	**17,707**	**22,256**	
Scope 2 tCO_2e*	Electricity consumption	798	1,353	-41%
Scope 3 tCO_2e	Direct operations*	1,880	1,788	5%
	Supply chain	97,938	175,644	-44%
	Total	**99,818**	**177,432**	

* Verified to ISO: 14064-1

BUSINESS RESILIENCE: CLIMATE-RELATED SCENARIO ANALYSIS

HOW IS CLIMATE CHANGE GOING TO AFFECT THE WORK WE DO?

As a family-owned business, the health and wellbeing of our people is of paramount importance – our Never Harm value means we want our people to go home safely every day. Around 80% of our workforce operates outside and experiences the impact of climate change first hand – increased frequency and severity of heatwaves and the prevalence of heat stress, flooding and other extreme weather events.

We undertook climate-related scenario analysis under 1.5 degrees Celsius and 3 degrees Celsius projections by 2100, in order to ascertain the impact of weather pattern change (specifically, increased frequency of heatwaves (temperatures exceeding 35 degrees Celsius for five or more days) on lost time by 2030), on our operations under the two scenarios.

We found that 90% of our direct operations would be significantly impacted at 3 degrees increase, with the greatest impact attributed to lost time from employees, programme interference and supply chain delays – with a direct business cost in excess of £5.7m.

To mitigate the risk identified in this scenario analysis, we have produced a series of project controls to manage project-level risk and upskilled our business to increase awareness on potential programme impact, alongside a comprehensive health and wellbeing strategy to mitigate short-term human impact. From a corporate perspective, our drive to net zero and our wider Climate Action Plan detailed throughout this document ensure we're playing our part in providing a longer-term climate solution.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

Our process for emissions management is certified annually through external certification body Achilles (Toitu Envirocare), and we have achieved 'Platinum Certification' through the carbon reduce programme (in accordance with ISO 14064-1:2018 and the Technical Requirements of the Programme) for emissions management for the past 14 years.

Our performance in 2022

In 2022, we reduced our direct emissions a further 16.88% – our biggest reduction to date since our journey began. Our main GHG emissions resulted from activities associated with combustion of road fuel (diesel and petrol), static plant fuel (diesel) and gas oil (until April 2022). These are used to power the vehicles and plant and equipment associated with our construction works and account for 92% of our direct GHG emissions.

Our reliance on fossil fuels has focused our efforts on investment in environmentally conscious Plant & Equipment (£34.5m in 2022) and implementing our Alternative Fuels strategy – in 2022, we undertook due diligence and successfully trialled Hydrotreated Vegetable Oil (HVO), with a view to a wider rollout in 2023 to tackle our Scope 1 emissions.

The next largest contributor of GHG emissions is electricity which accounts for 4% of total emissions – our reduction in 2022 is attributable to the life cycle of key electricity intensive projects. Our plans for 2023 include a switch to renewable electricity, and a gradual increase in consumption to replace transitioned Scope 1 emissions.

Together, consumption of diesel, petrol, gas oil and electricity account for 96% of the Company's GHG emissions. All four of these sources can be influenced and the Company is actively looking to identify and implement measures to reduce consumption in each area.

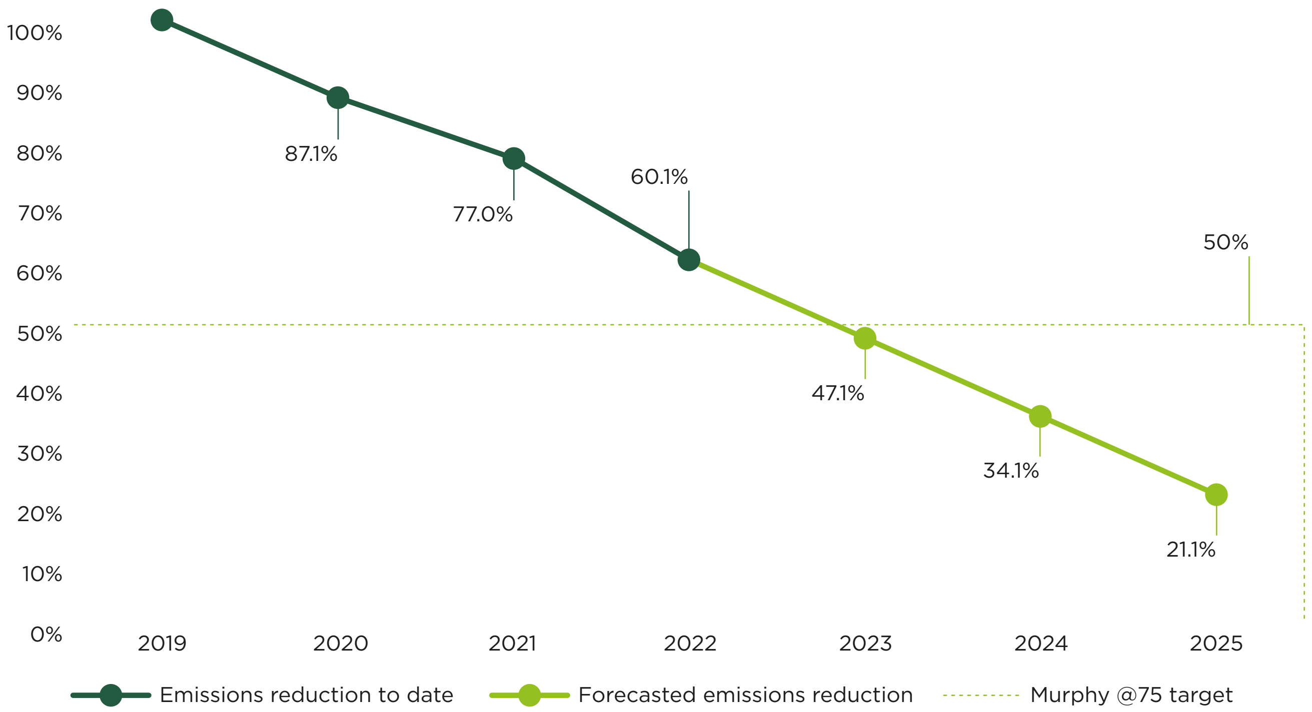
Our waste-related emissions have also reduced since the launch of our Waste to Wealth strategy in 2019 and, in 2022, we continued to make great progress – producing almost 40% less waste (in tonnes) on our projects and diverting over 99% of waste from landfill – our highest rate to date and one step closer to our Zero to Landfill ambition. Key streams such as plastic and office waste achieved 100% recycling and, overall, over 76% of our waste from our projects was recycled or reused – and we're targeting a further 15% by our Murphy at 75 anniversary.

On the other hand, we recognise the net zero challenge is bigger than the boundaries of our own operations. For the first time in our history, we are now calculating and reporting the full extent of our impact via Scope 3 emissions in line with the GHG Protocol categories, and we take a spend-based approach to highlight key trends, risks and opportunities in terms of supply chain – we acknowledge the overlap between social and environmental benefit in the areas where we invest and are committed to benefiting the environments and communities we interact with both directly and indirectly.

2023 and beyond

We're working hard to improve the emissions data available from all international subsidiaries of the Group in order to monitor and mitigate risk and opportunities, and this will be reflected in future disclosures.

Murphy at 75: % Emissions reduction from 2019 baseline



PEOPLE

CREATING A PLACE WHERE PEOPLE WANT TO WORK

The core goal of our **Murphy at 75 people strategy** is to be 'a great place to work where people feel secure and comfortable to be themselves'. Working across three geographies, all 3,688 of our colleagues work together in the spirit of our One Murphy value and, as a result, we have continued to make strong progress on our people strategy in 2022.

Dawn Moore
Group People & Communications Director

Engagement

Colleague engagement has continued to increase year on year for the last three years and 2022 was no exception. We were delighted to see a response rate of over 75% to our engagement survey across all three countries and another significant increase in our overall engagement score. This resulted in us retaining our 'Outstanding' level of engagement accreditation from Best Companies, but more significantly, being recognised by them as the 'Number 1 Best Big Company To Work For' across all sectors. This is an achievement we are very proud of and is testament to all of our colleagues who live and breathe our values every day as 'One Murphy.'

Once again we will be carrying out over 30 engagement sessions of various types across the whole Company to ensure that all of our colleagues have the opportunity to be actively involved in and own our engagement planning and ongoing progress.

Recruitment and emerging talent

During 2022, we successfully recruited and onboarded 940 new colleagues across the UK, Ireland and Canada into a variety of roles across all levels.

One of our core people targets is also to progress to a place where at least 50% of our vacancies in any given year are filled internally through internal moves and promotions, ensuring all of our people have opportunities to develop where practical. In 2022, we successfully provided internal development moves and/or promotions to over 40% of our people, successfully demonstrating our ongoing desire to provide our people with career and personal growth, not just a job.

We also continued our significant investment in emerging talent and, as the biggest direct employer of such talent in the sector, we bought into the business more than 100 additional graduates and apprentices across the Group during 2022.

Our significant investment in emerging talent also meant that we made further progress towards one of our people strategy goals of having at least 10% of our employee base as emerging talent by 2026. We currently stand at over 7% emerging talent and already have plans in place to grow this population further during 2023. Our efforts were also recognised with 'Gold' accreditation from the 5% Club, which recognises nationally those in our sector with an outstanding commitment to emerging talent and that have reached (or in our case surpassed) a 5% minimum emerging talent commitment.

RECRUITMENT AND INTERNAL PROMOTION KPIS

New starters – UK, Ireland and Canada

940

2022	940
2021	942

Promotions (all grades) – UK and Ireland

599

2022	599
2021	586
2020	

PEOPLE CONTINUED

Learning and Development (L&D)

Following the introduction of our L&D strategy in 2021, which is based on the philosophy of 'Development for All', 2022 has seen a number of significant areas of progress and focus.

We have some unique bespoke programmes aimed at not only developing our people and their careers, but also to ensure that they are fully integrated with the culture of Murphy, can role model our values, understand our increasingly unique business portfolio and direct delivery model, and are highly engaged with our business plans and their role in delivering them.

Such programmes include a bespoke Supervisory Development Programme which in 2022 saw 94 attendees from across the business, the continuation of our Project Leadership Development Programme which started in 2020 and is now into its third cohort and brings together our UK and Irish Project Leaders, and our business-wide Future Leaders Programme.

Our overall investment in L&D across our business continues to be significant across all levels, from front-line operatives through to senior management. For 2022, our investment in formal training programmes alone amounted to £2.3m.

LEARNING AND DEVELOPMENT KPIS

£2.3m +9.3%
Investment in training

96% +17.0%
Graduate retention

7.2% +4.4%
Emerging talent

158 +11.2%
Apprentices

95 +11.7%
Graduates

73 +1.3%
Trade apprentices

14 +56%
Placements

85 +21.4%
Functional apprentices

As at the end of 2022, the number of colleagues who had completed the following programmes totalled:

94
Supervisory Development Programme

110
One Big Inclusion Programme

73
Future Leaders

64
Project Leadership Development Programme

PEOPLE CONTINUED

As part of our Murphy at 75 strategy, and our continued commitment to offering ongoing development opportunities for our people, we have provided secondment opportunities for a number of years, with more than 20 employees currently on long-term secondment to Canada.

In Autumn 2022, we began offering shorter-term secondments to Canada, with three successful applicants completing a six-month stint with SMJV, our Canadian joint venture with Surerus, which brings together over 100 years of combined pipeline construction experience.

These secondments are a great opportunity for anyone who has an engineering, commercial, environmental and or relevant operational delivery background (particularly where this relates to pipeline projects) and is looking to expand their experience working in a hands-on role overseas.

We will be continuing to grow our international secondment programme in 2023.

As an Environmentalist, the most memorable part of this amazing experience has been working on various terrain and ecological restraints and learning about a new assortment of wildlife.

Steph Lewin
Environmental Advisor

I would absolutely recommend a secondment – I've had great exposure to new construction processes and also a new section of the oil and gas industry, whilst being able to apply my knowledge from the UK.

Josh Davis
Engineer

PEOPLE CONTINUED

Recognition and values

2022 saw the introduction of our unique ACORN Awards, aimed at recognising those colleagues who role model our values and put them into action for the benefit of the business, others or the wider community. ACORN is an acronym based on the first letter of each of our values. The acorn symbol also represents something that starts small but has the potential to grow into something very significant. This for us was very relevant to what we wanted our awards to be all about.

Demonstrating that our values are a strong driver at Murphy, we received over 211 nominations from across all three of our countries and the winners demonstrated some fantastic examples of why our Murphy culture is one that people are attracted to and want to be part of for the longer term.

> I chose Shaun Smith as the Golden ACORN winner because he stood out to me as the perfect example of what Murphy is about – he was not only a worthy winner of the Respect, Integrity and Accountability category – but also represented our wider purpose to improve life.

John Cresswell
Chair

SOCIAL VALUE

LEAVING A POSITIVE LEGACY IN THE COMMUNITIES IN WHICH WE WORK

Our purpose as a business is to improve life by delivering world-class infrastructure. This drives our Social Value strategy which helps us to achieve tangible results for our stakeholders.

£0.2m+
In excess of £0.2m charitable donations in 2022

300
Over 300 Giving Back days used across the business

A truly strategic and inclusive approach

In order to ensure a truly Group-wide approach and consistent commitment to social value, 2022 saw a Social Value Committee established, involving representatives from all three countries in which we operate. This Committee has clear terms of reference and takes overall responsibility for ensuring the strategy is not only continually developed but also bought into and embedded across our Group. The Committee meets at least six times a year and is chaired by our Group People & Communications Director, who is a member of our Group Executive Committee.

Key targets and tools

A number of key tools have been developed to support the work of the Social Value Committee, the most significant of which in 2022 was the launch of our social value hub. This is available to every employee across all three of our countries and, as well as outlining our strategy and commitment to social value, also includes the following:

- Our Giving Back day calendar, which highlights upcoming activities across each country, including how our employees can join an existing activity or add their own event to share with others
- Social value case study library – existing case studies which are used in a variety of ways as well as the opportunity for employees to create, celebrate and share their own experiences
- Summary of the support schemes we have in place for under-represented groups

In 2023, the hub will also host our new social value calculator, which the Committee is currently working on.

In 2022, we also set ourselves some specific social value-related targets, detailed below. It is great to be able to report that we have either achieved or are fully on target to achieve all of these. In addition, our 2022 engagement survey benchmarking by Best Companies highlighted that in respect of the 'giving something back' engagement factor, which is ESG/social value focused, we are now operating at the 'Outstanding' level.

2022 TARGETS

Emerging talent

Grow emerging talent pipeline to 7% in 2022, 10% by 2026.

Improve accreditation

Two-star 'Outstanding' accreditation from Best Companies and +70% response to employee survey.

Social value

Establish Group-wide Social Value Committee and launch social value calculator.

Under-represented groups

25% of teams from under-represented groups. Work with refugees, prison leavers and with older workers.

SOCIAL VALUE CONTINUED

With construction, there are always new projects and opportunities and I feel there's never going to be an end to my career.

Jade Pang
Graduate Civil Engineer

What was the construction industry? It used to be mainly men who did whatever needed to be done with a couple of women in the office that did accounts. Over the years, you can see women now coming in and saying: "Actually, we can be a part of this."

Theresa O'Connell
Senior Project Manager

Social value strategy

In line with our purpose of improving life and our people strategy goal of making Murphy a 'great place to work where people feel secure and comfortable to be themselves', two core elements to our social value strategy are diversity and inclusion and community engagement.

Diversity and inclusion

We believe that diversity is an ongoing process and this is reflected in our 'One Murphy. One Team. One Family' value, which has inclusion at its heart.

We have structured our Equality, Diversity and Inclusion (EDI) strategy into two strands: the first focuses on a long-term cultural and behavioural change, and the second on the different aspects of diversity, enabling us to individually focus on each element. We also develop local EDI plans for our key projects.

2022 has seen significant progress on our EDI strategy, the success of which we measure in a number of ways including our Murphy at 75 target to have at least 25% of our teams from under-represented groups and also through specific questions in our engagement survey designed to measure inclusion and social value.

A lot of females are getting into the construction industry which is a good thing. Murphy gave me that opportunity, which I'm really grateful for. Anytime I have something to say, or have ideas, I'm heard.

Yayra Deynoo
Commercial Assistant

EQUALITY, DIVERSITY AND INCLUSION KPIs

% Women in senior management roles +22%

12.2%

2022	12.2
2021	10.0

% Non-white ethnic group employees +6.0%

8.1%

2022	8.1
2021	7.7

% Under-represented groups

23.9%

2022	23.9
2021	No data

% Employees with a disability -4.6%

2.2%

2022	2.2
2021	2.4

% Female employees +1.6%

15.6%

2022	15.6
2021	15.4

SOCIAL VALUE CONTINUED

CASE STUDY

PRISON LEAVER SCHEME

Committed to leaving a positive legacy in the communities in which we work, Murphy is the founding member of the first National Prison Employment Advisory Board (EAB) created in July 2021. The aim is to create a 'Culture of Employment' journey across UK prisons alongside His Majesty's Prison and Probation Service (HM PPS) and New Futures Network (NFN). This programme is national, different to anything else that has ever been developed and implemented in relation to prison leavers, applicable to any sector and replicable across all UK prisons.

Inspiring Change | wm people Top Employer Awards Best for Returners Winner 2023

In July 2022, Murphy's prison leaver project won the 'Inspiring Change in the Community – Company' award at the Civil Engineering Contractor Association's (CECA) Inspiring Change Conference and Awards.

In February 2023, the scheme was recognised in WM People's Top Employer Awards, where Murphy won the 'Best for Returners' category.

"J. Murphy and Sons Ltd's approach is outstanding – they are fulfilling an important social role and giving prison leavers a voice and a range of support. We like how senior managers are involved in mentoring, ensuring everyone is involved. We can feel the compassion behind what they are doing."

WM People
Judging Panel

The prison used for the pilot was HMP Berwyn, due to it being the biggest prison in the UK. John Murphy, CEO, is the chair of HMP Berwyn's Employment Advisory Board, supported by Dawn Moore, Group People & Communications Director. With a skills shortage across the construction sector, we immediately recognised the value we could offer as an employer. It is estimated that there are currently 80,000 men in custody across the UK, c.50% of whom already have the experience required, or which could be easily developed, for a role in construction. In addition, prison leavers with a job to go to are much less likely to reoffend – cutting the current £18bn cost associated with reoffending. Prison leavers in steady jobs within six months of leaving prison are 69% less likely to commit further crime.

As part of December 2021's Prisons White Paper, the Government committed to investing £200m per year by 2023 on reducing reoffending, including on prison leaver employment schemes. As part of this commitment, 91 prisons across England and Wales will benefit from EABs – with the Berwyn model as a template – by spring 2023. The intention is that these EABs will also have a CEO level chair from a wide cross section of sectors.

To support this next phase of the scheme, the EAB at HMP Berwyn is encouraging other employers to follow Murphy's lead and offer job opportunities for prison leavers, using a bespoke employment hub to fill their vacancies. The Murphy/Berwyn scheme is now the recognised role model for future partnerships between employers, training providers, prison support services and prisons nationally.

> You have given me and my family a future – I won't let Murphy down.

Feedback from one of our prison leavers

Murphy intends to expand its recruitment partnership to other prisons as a core part of its recruitment approach for the future. This rollout has already started, with Murphy now engaging with HMP Pentonville and HMP The Mount.

With 40 offers of employment already made by Murphy to prison leavers since November 2021, the plan for the business is to recruit a minimum of 30 to 40 prison leavers each year.

> I strongly urge other employers to follow Murphy's lead and get on board with this extremely valuable programme. Prison leavers offer a valuable employment stream and potential driver of economic growth. Our programme shifts the focus onto upskilling offenders while they are still in prison, ensuring they are ready to move straight into work when released, breaking the cycle of crime.

John Murphy

SOCIAL VALUE CONTINUED

Below are some examples of our social value strategy in action across our three countries:

UK

Volunteers from our Energy business unit spent an October afternoon volunteering at the Trussell Group Food Bank in Warrington. The team helped sort and store produce in the warehouse and did such a good job that we have been invited to volunteer again.

In 2022, our North West team celebrated one year of volunteering at Mersey Forest, with an impressive 60 team members using a total of 30 Giving Back days to plant 150 trees, clear water ways, pick up litter and trim back paths.

All of this has helped make Colliers Moss and Griffin Wood a safer, cleaner and a more biodiverse place to visit. Our team continues to work alongside the Mersey Forest Rangers on several ecological enhancement plans for the woodlands, including having our very own Murphy Forest area within the Mersey Forest.

IRELAND

To raise money and awareness of the Lighthouse Construction Industry Charity, which provides mental, physical and financial wellbeing support to the construction community and their families, our Murphy Ireland sites and offices held a 'tech-free' coffee break recently – encouraging everyone to check in with each other and raising €625 in the process.

A team from Murphy Ireland responded to Dun Laoghaire County Council's call for assistance in planting a small community woodland in Fernhill Park.

We also provided an excavator which was a big help with the preparation of the area, lightening the load for other volunteers and allowing them to plant more trees in a short timeframe.

CANADA

Team members on our Canadian joint venture, Surerus Murphy (SMJV), recently supported Chetwynd Seniors Meals on Wheels when the organisation was short of drivers.

Our team delivered approximately 150 meals a day and also provided a cheque for $2,645 which had been raised through employee donations.

In September 2022, 20 members of SMJV spent the afternoon on National Day for Truth and Reconciliation improving community spaces at the Sunrise Healing Lodge in Calgary.

The Lodge has been providing addiction treatment since 1975 by combining indigenous culture with a 12-step programme for an effective recovery that is available to all people. Community improvements consisted of washing windows, landscaping and housekeeping.

ESG GOVERNANCE

APPROACH TO CORPORATE GOVERNANCE

We adopt the Wates Corporate Governance Principles for Large Private Companies as an appropriate framework for the corporate governance arrangements for the Group. We set out on pages 54 and 55 of the Corporate Governance Report how we apply the six Principles.

John P Murphy
Company Secretary and General Counsel

Corporate governance

Risk Management and Internal Controls

The Executive Risk and Opportunity Committee (EROC), which is a sub-committee of the Group Executive Committee, is responsible for reviewing and monitoring the principal risks affecting the business. The EROC meets four times a year and reviews the principal risks register maintained by the Group Head of Internal Audit. The Group Enterprise Risk Policy sets out the methodology for categorising the principal risks. The Board reports on the principal risks facing the Group on pages 52 and 53 of the Strategic Report.

Tax Strategy

We publish our tax strategy in compliance with Schedule 19 of the UK Finance Act 2016. The strategy confirms that the Group and its shareholders have a low appetite for tax risk and that we proactively engage with advisors to achieve certainty on our tax position. We adopt an open, honest and transparent approach to working with HMRC and consider our Customer Relationship Manager (CRM) to be someone to seek guidance from and be in regular dialogue with so we can operate in a no surprises environment. We actively seek to meet with our CRM and implement regular meetings to discuss any changes to the Group or its business and any resultant tax implications. We have a low risk rating with HMRC following our latest Business Risk Review.

Payment Practices

We recognise the importance of prompt payment for the sustainability of our supply chain. Our average time to pay invoices moved from 25 days to 23 days for the second half of 2022.

Business ethics and conduct

We conduct our business in a transparent, honest and professional manner guided by our core values which are:

- Always Deliver
- Continuously Improve
- One Murphy. One Team. One Family
- Respect, Integrity and Accountability
- Never Harm

Our values are at the heart of everything we do. We put our clients first and expect all our employees to live and breathe our values. This means behaving with the utmost respect and integrity towards those we work with and work for – be that our colleagues, our peers, our clients, our supply chain or members of the public.

The Murphy Code of Conduct details our expected standards of behaviour and applies to everyone working for or providing services to Murphy at any of our locations throughout the world. Every colleague must complete our Code of Conduct e-learning module on joining the business and complete refresher training every two years. The Code of Conduct covers the following areas:

Fraud, Bribery and Corruption

We are committed to conducting our business in a fair and ethical way. We take a zero-tolerance approach to fraud, bribery and corruption, and we are committed to acting professionally, fairly and with integrity.

Our Anti-Bribery and Corruption Policy explains what constitutes bribery and provides examples of red flags. In the event of our people encountering suspected bribery and corruption, they are encouraged to report this to their line manager, the Compliance Manager or the independent confidential phone line and website.

ESG GOVERNANCE CONTINUED

We recognise the essential role that compliance with legal and regulatory requirements plays in the governance and sustainability of our business. We encourage openness and we support anyone who raises genuine concerns in good faith even if they turn out to be mistaken.

Anti-Slavery

Modern slavery, whether in the form of servitude, forced and compulsory labour or human trafficking, is a crime and a violation of fundamental human rights. This is the deprivation of an individual's liberty by another to exploit them for personal gain. We have a zero-tolerance approach to modern slavery and expect the same high standards from all supply chain partners.

Our Anti-Slavery Policy reflects our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing systems and controls to ensure modern slavery is not taking place anywhere in our supply chains. We are a party to the Construction Protocol with the Gangmasters and Labour Abuse Authority (GLAA) to support the objective of eradicating slavery and labour exploitation with other members of the construction industry.

Privacy

We respect the privacy of all individuals and comply with data protection legislation. We only collect and retain personal data to the extent that it is reasonably necessary for the legitimate interests of running the business. We recognise that the correct and lawful management of personal data will maintain confidence in the business and will provide for successful business operations.

We take steps to ensure that the data we hold is accurate, up to date and protected. We maintain the security of personal data from collection to destruction. We understand individual data protection rights and we have policies and procedures to ensure they are implemented. We investigate any suspected breach of data protection principles, and we take appropriate action to rectify and prevent reoccurrence. Through our data protection working group we continuously review our approach to data protection and make changes as required.

Conflicts of interest

We are committed to identifying, monitoring and managing any potential conflicts of interest that may undermine the relationship of trust between Murphy and its stakeholders. We maintain a register of potential conflicts of interest so that decisions are only taken in accordance with our values and conflicts are avoided. Individuals employed in a role that may involve them exerting influence over any decision-making process must declare whether they have any interest on an annual basis. Our Conflicts of Interest Policy governs this process.

Whistleblowing

We recognise the essential role that compliance with legal and regulatory requirements plays in the governance and sustainability of our business. We encourage openness and we support anyone who raises genuine concerns in good faith even if they turn out to be mistaken. We are committed to ensuring no one suffers any detrimental treatment as a result of reporting in good faith their concerns. Our people are encouraged to speak up about any issue of concern with their line manager or the Compliance Manager. We also provide a confidential phone line and website through an independent provider where people can report concerns on an anonymous basis if they so wish. Our Group Whistleblowing Policy governs this process.

SECTION 172 COMPANIES ACT

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

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

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

Employees

The directors consider it is vitally important to create a working environment that our colleagues want to work in and remain as part of the overall future of the Company. The directors have agreed Company objectives relating to the retention of employees and the number of apprentices employed as part of its 'Murphy at 75' strategy. These objectives are reviewed at every board meeting to monitor the retention of existing employees and the development of new employees joining the business. The focus on employee retention has improved the engagement score across the business. Further information about our commitment to investing in our colleagues can be seen on page 39.

Customers

Strong customer relationships are vital to the success of the Group. During 2022, Murphy has carried out regular customer engagement surveys, with the Board monitoring Murphy's Net Promoter Score and feedback from our customers.

Supply chain

The directors recognise the importance of engaging with the Groups supply chain to ensure the Group can deliver on its projects. During 2022, the Group worked with its supply chain to respond to the challenges of delays to supply and inflation within the current market. There has also been a focus on settlement of invoices to terms, with improvements to average time to settle invoices made during the year.

Environment and Communities

The directors continue to support Murphy's social value and climate action plans as part of the Group's Sustainability Policy. The directors expect the key actions in the social value and climate action plans will enhance Murphy's relationships with the communities in which it works. Further information about the Company's commitment to developing social value and climate action plans can be seen on pages 43 to 46.

Business Conduct

The directors consider that the five core values of the business Never Harm, Always Deliver, Continually Improve, One Murphy One Team One Family, and Respect, Integrity and Accountability underpin how the business conducts itself with its employees, its customers and its supply chain. During the course of the year, the business rolled out training via an e-learning module for its Code of Conduct and embedded Code of Conduct into the Group induction.

Shareholders

The directors recognise their role in overseeing the strategy of the business. The objective of the sole shareholder is the long-term, sustainable growth of the business.

FINANCIAL REVIEW

A REVIEW FROM OUR CFO, JOE LEDWIDGE

The Group performed well in 2022, making improvements to key performance indicators across the board. The Group continues to make positive progress towards the 'Murphy at 75' targets with an increased net cash position, improvements to operating profit alongside a order book that continues to grow in size and strength.

Joe Ledwidge
Chief Financial Officer

Turnover

Total Group revenue increased by 17% in 2022 (2021: 14%) to £1.49bn (2021: £1.27bn). The increase in turnover was mainly driven by increased activity with our key clients across the UK, Ireland and Canada.

Operating profit

Group operating profit was £45.7m (2021: £21.7m) for the year. The increase in turnover has also translated to an improved margin of 3.1% (2021: 1.7%). The Group continues to see the benefits of refinements made to the contract selection process as well as improved commercial discipline.

Cash and cash management

The Group maintained a strong net cash position during the year and showed a net cash position at year end of £275.5m (2021: £216.6m). The Group has also maintained a strong focus on working capital management to ensure that it's working capital needs are met and the Group can deliver its order book.

FINANCIAL KEY PERFORMANCE INDICATORS

Total Group revenue including joint ventures

£1,491m

2022	1,491m
2021	1,274m
2020	1,114m

Net cash balance of the Group

£275.5m

2022	275.5m
2021	216.6m
2020	173.8m

Group operating profit

£45.7m

2022	45.7m
2021	21.7m
2020	13.0m

Group net assets

£281.9m

2022	281.9m
2021	248.6m
2020	206.7m

Company net assets

£125.4m

2022	125.4m
2021	145.6m
2020	133.9m

FINANCIAL REVIEW CONTINUED

Group net assets

The improvement to operating profit has translated to an improvement in the net asset position of the Group. Net assets at 31 December were £281.9m (2021: £248.6m). The Group continues to build a strong and resilient balance sheet that ensures we can continue to deliver significant projects for our key clients.

The Group has also continued to ensure adequate provisions are in place against contractual and operational risks.

Tax

The tax charge for the year was £9.2m (2021: £15.5m). The current tax charge, £7.3m (2021: credit £0.4m), has resulted from the improved operating profit performance of the Group and the deferred tax charge, £1.9m (2021: £15.9m) is largely due to timing differences on capital allowances. The prior year deferred tax charge included a significant impact due to the increase from 19% to 25% in the UK on deferred tax.

Some current year profits have been offset by capital allowances and losses carried forward from prior years.

Debtors

Short-term debtors have increased by £58.9m to £239.5m (2021: £180.6m). The increase was driven by increased activity and turnover, in particular in the UK, and amounts to be billed on certain contracts. There has also been an increase in payments received on account and amounts accrued on contracts of £40.8m (see Note 18) which has partially offset this from a working capital perspective.

Non-financial KPIs

Non-financial KPIs relating to our health and safety performance can be found on page 24. 2022 saw a 30% reduction in the Group lost time injury rate.

Joe Ledwidge
Chief Financial Officer
25 May 2023

PRINCIPAL RISKS AND UNCERTAINTIES

The Board identifies the principal risks and uncertainties facing the Group, assesses how it manages risk, and factors uncertainties and risk into the decision-making process. The Risk and Opportunities Board Committee continues to assess the 10 key Group risks identified and is developing metrics to allow these to be monitored more effectively. These risks, and the work that is being undertaken to mitigate and manage these risks, are as follows:

Risk description	2022 activities
1. Health, safety & sustainability	
The nature of the work the Group is involved in has the potential to cause significant harm to its key stakeholders, members of the public or the environment.	The Group's health and safety record has been consistently good. Never Harm is one of the Group's values. The Board believes that there is always a need to monitor and improve on safety performance. The SHES team (Safety, Health, Environment & Sustainability) has an ongoing audit regime in place. These audits provide assurance over the design and operating effectiveness of the health and safety-related controls. The SHES team continues to use 10 key lenses to assess health and safety performance. These are based at project level and they roll up to business units, and then to Group. A set of criteria has been applied to the measures, ranging from 'at tolerance' through to 'critical', reflecting the risk level.
2. Work-winning	
An ineffective work-winning process will impact the Group's ability to win the right type of work, for the right type of customer, or to work with the right type of JV partners.	Murphy's Integrated Management System (MIMS) has been updated and accurately captures the work-winning process. A gateway process is in place, which channels opportunities through the right routes, with a defined approval hierarchy, prior to commencing work or tendering for work. An early and upfront review of opportunities through assessment of our key risk parameters allows price, risk and cost profiles to be assessed pre-contract.

Risk description	2022 activities
3. Project delivery	
The inability to deliver projects on time, on budget, and to the right quality, could result in financial loss and/or reputational damage.	During the year, we have ensured adequate training and development plans are in place for our people, with training and development plans developed and the learning zone utilised for competency development. We are ensuring that we are 'fit to start' on projects, as well as performing monthly reviews of critical projects. The Group has also been focusing on project assurance reviews and site visits to ensure projects are delivered on time with the right quality across the business.
4. Supply chain	
Interruptions in the supply chain through supply chain failure, poor performance or reduced capacity, could impact the Group's ability to deliver projects on time, on budget and to the right quality.	Tight relationships are being maintained with our supply chain through regular meetings. The Group continues to focus on ensuring payment to terms whenever possible, having shown improved payment practice reporting statistics over the past 12 months. Procurement is keeping projects informed about lead times and any potential inflationary price changes.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk description	2022 activities
5. People	
The inability to recruit, develop and retain appropriately skilled people could impact the Group's ability to meet its strategic objectives and deliver projects.	Murphy continued to invest in emerging talent, with an increased focus on apprentices over the next two years and continued expansion of its graduate programme. It has increased its focus on the trade apprenticeship model to complement Murphy's direct delivery model.
6. Liquidity	
Not maintaining adequate liquidity could impact the Group's ability to invest, win work or meet ongoing liabilities as they become due.	The Group maintains a net cash position and has a strong focus on maintaining its working capital position. In addition, access is maintained to bonding arrangements, and the Group continues to fund plant and equipment renewals using a mix of cash and finance leases, which it considers to be an effective use of capital. Cashflow is monitored daily and there are procedures in place to monitor our customers' creditworthiness.
7. Political	
Changes in the political, economic and regulatory environments can have a significant impact on both the number of new projects and existing projects.	The Legal team continue to review emerging legislation, monitor the impact and advise on measures to be taken. The impact of conflicts on the supply chain and energy costs are monitored to ensure we can continue to deliver our projects.

Risk description	2022 activities
8 Conduct & compliance	
Incidents of poor conduct, acts of fraud, bribery, corruption or anticompetitive behaviour can adversely impact.	The Code of Conduct e-learning was refreshed and relaunched in 2022 and is part of the induction process at Murphy. This will give targeted reminders as well as refresher training on the Murphy Code of Conduct. A regular quarterly review of internal control effectiveness is undertaken and reported to the Audit Committee.
9. Cyber security	
Vulnerability to a cyber attack is a growing threat which could result in malicious viruses entering our systems or sensitive/commercial data being accessed without permission.	Improvements to Murphy's cyber security have been implemented. Training has been rolled out for user-related security awareness, as well as a new leaver process to ensure access is revoked when appropriate. Cyber security continues to be a core risk facing the Group.
10. Security	
A serious incident (terrorism or security related) could occur on a Murphy-controlled site, or involving Murphy property/plant, leading to harm to its stakeholders.	Updates, including specific talks on security and risks, have been rolled out across projects during the year.

DIRECTORS AND ADVISERS

Directors

Alastair Kerr (retired 31 December)
John Cresswell (appointed 1 September)
John Paul Murphy
Joseph Ledwidge
John Patrick Murphy
David Huw Davies
Paul Grammer (appointed 1 October)
Deborah Lodge
Clare Mara
James Murphy
Karina Murphy
Kathleen Murphy
Michael Toms

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Independent auditors

RSM UK Audit LLP,
Statutory Auditor
Chartered Accountants
Third Floor, Priory Place
New London Rd
Chelmsford, Essex
CM2 0PP

CORPORATE GOVERNANCE

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

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

1. Purpose and leadership

Our purpose is to 'Improve life by delivering world-class infrastructure' in our core sectors of transportation, water, power and natural resources in the UK, Ireland and Canada.

This is regularly promoted and communicated across our Company.

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

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

The delivery of our strategy is also underpinned by five key strategic drivers – Fit to Start; Dependable Project Management; Passionate About Direct; Better Engineered; and Win-Win Relationships.

Our Board is chaired by a Non-Executive Chair. During the year, the succession plan for the role of Chair was completed with the appointment of John Cresswell succeeding Alastair Kerr as the Non-Executive Chair with effect from 1 November 2022. John Cresswell joined the Board as Chair Designate on 1 September 2022 and Alastair Kerr retired from the Board on 31 December 2022.

The Board delegates authority for the day-to-day management of the business to the Group Executive Committee.

There are certain matters reserved for approval by the Board such as the formation of joint ventures and the tendering for major projects. The Group Executive Committee is led by our Chief Executive Officer, John Murphy, who is a grandson of the founder of the business.

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

2. Board composition

The Board consisted of 10 non-executive directors and three executive directors during the year. There were five independent non-executive directors (including the new and previous Chair). They have expertise and experience in family-owned business, finance, construction, transport infrastructure and utilities. There are four family non-executive directors who represent the ultimate owners of the business. There is also one alternate director.

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

The Board had eight meetings in the year. There were four female directors and nine male directors on the Board during the year.

3. Director responsibilities:

Our Board is responsible for promoting the long-term success of the business for the benefit of its owners and taking into account the interests of its stakeholders in doing so. Further detail on those considerations is provided in the Section 172 Statement on page 49. The Board receives updated information at each Board meeting on key aspects of the business including safety performance, people, strategy, business development, operational matters and the financial performance of the business.

The Audit Committee is responsible for reviewing the effectiveness of the Group's system of internal financial controls, internal controls and risk management systems, and the management of internal and external audit. The Committee considered specific matters such as cyber security during the year. The Committee is chaired by independent Non-Executive Director Huw Davies, and is comprised entirely of non-executive directors. Internal Audit is charged with carrying out an annual audit programme and reporting the findings to the Committee.

4. Risk and opportunity

The Risk and Opportunity Board Committee oversees the management of risk and identification of opportunities across the business. The Committee was chaired by independent Non-Executive Director Huw Davies, who was succeeded by Paul Grammer as Chair on 1 October. There is also an Executive Risk and Opportunity Committee (EROC) chaired by the Company Secretary which met four times during 2022 and maintains a Group Risk and Opportunity register. The EROC regularly reviews the principal risks and opportunities in the business at its meetings. It then reports to the Risk and Opportunity Board Committee on steps taken to mitigate any risks and to realise any of the identified opportunities.

5. Remuneration

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

6. Stakeholder relationships and engagement

The Board regularly reviews and oversees a range of stakeholder information – from client satisfaction data to the results of the annual employee engagement survey.

The Board reviews the employee engagement survey results and agrees the action plans to address key issues raised as part of the survey.

Murphy executive directors play an active role in engaging with a range of stakeholders in their roles to promote the Company purpose – from clients, communities, colleagues and many others.

They carried out regular 'Town Halls' across the year to update colleagues on Company progress, as well as answering their queries and questions. Along with other senior leaders, they also drove our 'Safestart', 'One Summer' and 'One Winter' programmes in 2022, visiting project sites over three different periods in the year to reinforce our 'Never Harm' value and also to take the opportunity to update our people on what was happening in the business.

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

Murphy continued the Christmas Community Fund and donated £100,000 to foodbanks across the country.

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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the audited financial statements of the Group and Company for the year ended 31 December 2022.

Corporate governance

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

Details on how the framework has been applied can be found in the pages above. The Group has not departed from any corporate governance code identified in the Strategic Report.

Results and dividends

The profit for the financial year after taxation amounted to £35.4m (2021: £46.2m).

During the year, dividends of £2.5m and £6.6m were declared and paid in respect of 2021 (2021: £5.5m).

Strategic Report

The Directors have chosen, in accordance with S414c of the Companies Act, to disclose information relating to review of the business, business relationships and key performance indicators, along with future events, in the Strategic Report.

Future developments

Murphy remains focused on a disciplined approach to maintaining a sustainable margin and a strong balance sheet underpinned by organic growth in our chosen sectors.

The Group will continue to deliver projects safely and consistently for our clients while achieving operational excellence, enabling a greener future, and enhancing society and the communities we work in.

The impact of the emergence from Brexit, ongoing war in Ukraine, high energy prices and the high levels of inflation seen could have a negative impact on the Group's operating profit. To date, these risks are being managed and the Board continues to take these into account when making any investment and operational decisions.

Subsequent events

In March 2023, the Company declared and paid an interim dividend of £5.8m in respect of 2022.

Directors

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

Alastair Kerr, Chairman (retired 31 December)
John Cresswell, Chairman (appointed 1 September)
John Paul Murphy, Chief Executive Officer
Joseph Ledwidge, Chief Financial Officer
John Patrick Murphy
David Huw Davies
Paul Grammer (appointed 1 October)
Deborah Lodge
Clare Mara
James Murphy
Karina Murphy
Kathleen Murphy
Michael Toms

Qualifying third-party indemnity provisions

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

Charitable donations

The Group made charitable donations of £0.2m (2021: £0.2m) during the year.

Energy and carbon report

The Energy and Carbon Reporting Statement is presented on page 59.

Research and development

The Group undertakes research and development activities when delivering projects for our clients. Innovation and development of new construction methods and techniques are vital to allow the Group to deliver complex projects.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

Employee engagement

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

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

The Group engages with its employees in several different ways. There is personal engagement by the executive team through three main safety events held through the year: 'Safestart', 'One Summer' and 'One Winter'. At these sessions, employees are briefed on key safety messages as well as updates on the business and its plans.

There are a variety of electronic communications designed to engage employees in Company business, successes, strategy and news, using a multi-channel approach including intranet, email, Microsoft Teams, and an internal digital messaging system called Yammer. The Chief Executive Officer takes questions at regular events on Yammer.

The Group undertakes an annual employee engagement survey together with regular pulse surveys where employees are invited to give feedback about their experience of working in the business. The results of the surveys are reviewed by the executive team and the Board. Business units and functions within the Group then take action plans forward to implement change and improve employee engagement. The Group has targets in its People Strategy focusing on the level of emerging talent in the business, the filling of internal vacancies by internal candidates and the level of representation from under-represented groups.

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

The directors have included information relating to engagement with stakeholders, customers, suppliers and employees in the Section 172 Statement of the Strategic Report.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the J. Murphy & Sons website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

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

Going concern

The Group continues to meet its day-to-day working capital requirements. The Group had £291.9m of cash (of which £283.7m was unrestricted, which included £145m of funds placed on deposit) at the year end.

The directors have prepared cashflow forecasts for the Group for the period to December 2024 (the review period), showing a base case, a downside scenario and a reverse stress test.

The key assumptions in the base case relate to the level of margin generated from secured contracts, settlement of contractual discussions and disputes, capital expenditure on plant, and short-term working capital needs. The base case demonstrates comfortable levels of cash resources throughout the review period. Performance in 2023 to date is in line with the base case. The downside scenario demonstrates the effect of reduced order intake and reduced margin. The downside scenario was designed to demonstrate a pessimistic downside and shows that sufficient cash headroom can be maintained throughout the review period without use of the HSBC facility.

The reverse stress test was designed to determine what would have to happen to fully deplete existing cash resources. This scenario is considered remote given the cash resources of the company, the strength of the underlying infrastructure business, the existing order book, and the quality of forecasting and contract management procedures.

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

Statement of disclosure of information to auditors

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

Independent auditors

RSM UK Audit LLP was appointed as the auditor to the Company during the year. At the next General Meeting, it will be proposed that the auditor, RSM UK Audit LLP is reappointed in accordance with Section 485 of the Companies Act 2006.

This report was approved by the Board on `
25 May 2023 and signed on its behalf.

J Ledwidge
Director

STREAMLINED ENERGY AND CARBON REPORTING STATEMENT

Energy efficiency action taken in 2022

Energy efficiency action taken in 2022:

- Improved vehicle/plant efficiency, through purchase of state-of-the-art, environmentally conscious, plant, equipment and machinery for our projects. We are increasing the use of innovative low-carbon technologies in our offering – including electric, hybrid and hydrogen powered equipment, all available through our 'Green Guide', and we're tracking consumption better as a business, so we know where to target our efforts.
- EV car charging points are now installed in every permanent office and we increased the number of electric/hybrid vehicles in our fleet to cover all grades.
- Alternative fuel transition – following a period of feasibility studies and project trials, we commenced our UK rollout of renewable, sustainable fuels to reduce fossil fuel reliance, mapping out the most efficient way of fuelling our fleets and targeting our single biggest emissions source.
- Operationalising net zero for our projects by incorporating key alternative fuel Climate Action targets into our annual targets.
- Continued focus on waste management leading to increased recycling and reuse rates, and continued progress towards our zero to landfill ambition. Greater contribution towards a circular economy through resource productivity, resulting in less waste generated and lower energy usage.
- Project efficiencies: Lowered project footprints through better planning to remove reliance on fossil fuel combustion – more 'renewable' electrical connections where feasible, efficient deployment of staff, use of local suppliers and remote access meetings.
- Behavioural change campaigns around fuel efficiency, via our '10 steps to 10%' – driving fuel efficient behaviour.
- Improved energy efficiency in Company offices/ site accommodation through efficient generation, alternative fuels strategies and embracing technological advancements.

We've committed to achieving net zero emissions by 2030. We are signatories for the science based targets initiative 'Business Ambition for 1.5°C', confirming that we have committed to set a science based target that is in line with a 1.5°C future. A GHG emissions management plan and associated reduction targets have been developed. We aim to be net zero in terms of direct greenhouse gas emissions by 2030, and net positive by 2050 for all emission sources.

Results

Following our latest Carbon Emissions certification audit for the UK, we've successfully achieved our 'Carbon Reduce' (formerly CEMARS) certification for the past 14 years. Since our reduction journey began in 2009, we have achieved our 30% target one year early in 2019 (30.04% vs 2009 baseline). We've since set a further 2020–2025 reduction target of 50% (tCO_2/£m), with our 2022 progress below:

- 2022 emissions reduction now totalling 39% emissions reduction vs our 2019 baseline, certified by Achilles to ISO 14064 through the Carbon Reduce Scheme.

	2022 GHG Emissions			2021 GHG Emissions			% Change in emissions intensity
	kWh	tCO_2e	tCO_2e/£m	kWh	tCO_2e	tCO_2e/£m	
Electricity	**4,128,048**	**871.31**	**0.98**	6,372,226	1,474	1.70	**-42.47**
Transportation fuel	**80,193,440**	**19,311**	**21.67**	91,915,316	24,052	27.73	**-21.85**
Natural gas	**661,364**	**121**	**0.14**	687,771	126	0.15	**-6.72**

Methodology: This inventory has been prepared in accordance with the requirements of the measure-step of the Toitū carbon marks, which is based on the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and ISO 14064-1:2018 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals. Where relevant, the inventory is aligned with industry or sector best practice for emissions measurement and reporting. J. Murphy & Sons Limited meets the requirements of Carbon Reduce (formerly CEMARS®) certification (Certificate No: 2022039J Expiry: 22nd March 2025), having measured its greenhouse gas emissions in accordance with ISO 14064-1:2018 and committed to managing and reducing its emissions in respect of the operational activities of its UK organisation, including Joint Ventures (JVs). The operational control consolidation approach has been used to account for operational emissions with reference to the methodology described in the GHG Protocol and ISO 14064-1:2018 standards. Equity share has been used for JVs. Excluded emissions do not exceed 5% of the total footprint for organisation stated. Data was collected for each GHG emissions source using supplier / transaction records. The source of the data and an explanation of any uncertainties or assumptions made were audited as part of ISO certification. Estimated numerical uncertainties are reported with the emissions calculations and results. All data was calculated using GHG emissions factors as published by the Department for the Environment, Food and Rural Affairs (DEFRA). A calculation methodology has been used for quantifying the GHG emissions inventory using emissions source activity data multiplied by GHG emissions or removal factors. The GHG emissions sources included in this inventory are those required for Programme certification and were identified with reference to the methodology described in the GHG Protocol and ISO14064-1:2018 standards. Identification of emissions sources was achieved via communications with suppliers and J. Murphy & Sons Limited staff and cross-checked against operational expenditure records for the reporting period. These records were viewed in order to see what activities may be associated with emissions from all of the operations. 2021 and 2022 data disclosed is externally verified and accepted as part of ISO certification by Achilles Assessment Services.

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

Opinion

We have audited the financial statements of J. Murphy & Sons Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 December 2022 which comprise of the Consolidated Profit and Loss account, Consolidated and Company Statements of Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated and Company Statements of Changes in Equity, Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 57, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

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

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006, distributable profits legislation and UK pensions and tax compliance legislation. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included agreeing the financial statement disclosures to underlying supporting documentation, review of board meeting minutes, and enquiries with management and the legal team.

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

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

The group audit engagement team identified the risk of management override of controls and management bias in accounting estimates as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business. We evaluated whether there was evidence of bias by management in accounting estimates that represented a risk of material misstatement due to fraud. We challenged assumptions and judgements made by management in their significant accounting estimates, in particular in relation to contract accounting, including the expected margin through assessment of post year end performance and stage of completion, through discussions with the relevant individuals and inspection of year end valuations; the valuation of properties and defined benefit pension scheme accounting.

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

Use of our report

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

Andrew Monteith (Senior Statutory Auditor)
RSM UK Audit LLP
Statutory Auditor Chartered Accountants
Priory Place
New London Road
Chelmsford
Essex
CM2 0PP

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022 £'000**	2021 £'000
Total revenue		**1,490,782**	1,274,352
Less: share of joint ventures' revenue		**(7,853)**	(4,406)
Turnover	3	**1,482,929**	1,269,946
Cost of sales		**(1,373,107)**	(1,188,917)
Gross profit		**109,822**	81,029
Administrative costs		**(78,018)**	(66,498)
Other operating income		**13,853**	7,148
Group operating profit	4	**45,657**	21,679
(Loss) / surplus on revaluation of investment properties	12	**(623)**	44,358
Share of loss in joint venture, post-tax	13	**(1,096)**	(1,291)
Unrealised Gain / (Loss) on currency translation		**1,752**	(633)
Interest receivable	7	**1,837**	225
Interest payable	8	**(2,951)**	(2,679)
Profit before taxation		**44,576**	61,659
Tax on profit	9	**(9,166)**	(15,466)
Profit for the financial year	24	**35,410**	46,193
Profit attributable to:			
– Owners of the parent		**35,410**	46,193
		35,410	46,193

All amounts relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Profit for the financial year	24	**35,410**	46,193
Other Comprehensive Income:			
Remeasurement gain recognised in pension scheme	22	**8,833**	2,063
Movement on tax relating to pension deficit	9	**(4,045)**	622
Currency translation differences	24	**2,130**	(1,351)
Other Comprehensive Income for the year, net of tax		**6,918**	1,334
Total Comprehensive Income for the year		**42,328**	47,527
Total Comprehensive Income attributable to:			
– Owners of the parent		**42,328**	47,527
– Non-controlling interest		**–**	–
		42,328	47,527

COMPANY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
(Loss) / Profit for the financial year	24	**(15,964)**	14,608
Other Comprehensive Income:			
Remeasurement loss recognised in pension scheme	22	**8,833**	2,063
Movement on tax relating to pension deficit	9	**(4,045)**	622
Currency translation differences		**32**	(40)
Other Comprehensive Income for the year, net of tax		**4,820**	2,645
Total Comprehensive (Loss) / Income for the year		**(11,144)**	17,253
Total Comprehensive (Loss) / Income attributable to:			
– Owners of the parent		**(11,144)**	17,253
– Non-controlling interest		**–**	–
		(11,144)	17,253

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Positive goodwill	10	**2,014**	2,365
Negative goodwill	10	**(133)**	(472)
Net goodwill	10	**1,881**	1,893
Intangible assets	11	**3,985**	6,968
Tangible assets	12	**280,332**	252,617
Investments in joint ventures	13	**6,519**	4,598
Total fixed assets		**292,717**	266,076
Current assets			
Stocks	15	**4,300**	6,345
Debtors	16	**239,485**	180,569
Cash at bank and in hand	17	**291,875**	235,303
Total current assets		**535,660**	422,217
Creditors: amounts falling due within one year	18	**(477,657)**	(366,371)
Net current assets		**58,003**	55,846
Total assets less current liabilities		**350,720**	321,922
Creditors: amounts falling after due more than one year	19	**(37,458)**	(34,264)
Provision for liabilities	20	**(29,663)**	(24,503)
Post-employment benefits	22	**(1,737)**	(14,521)
Net assets		**281,862**	248,634
Capital and reserves			
Called up share capital	23	**2,543**	2,543
Profit and loss account	24	**279,412**	246,184
Total equity attributable to owners of the parent		**281,955**	248,727
Non-controlling interest		**(93)**	(93)
Total equity		**281,862**	248,634

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	11	**3,968**	6,715
Tangible assets	12	**25,294**	24,661
Investments	14	**837**	837
Total fixed assets		**30,099**	32,213
Current assets			
Stocks	15	**1,066**	2,151
Debtors	16	**313,527**	264,233
Cash at bank and in hand	17	**221,242**	203,748
Total current assets		**535,835**	470,132
Creditors: amounts falling due within one year	18	**(438,426)**	(341,406)
Net current assets		**97,409**	128,726
Total assets less current liabilities		**127,508**	160,939
Creditors: amounts falling after more than one year	19	**(397)**	(800)
Post-employment benefits	22	**(1,737)**	(14,521)
Net assets		**125,374**	145,618
Capital and reserves			
Called up share capital	23	**2,543**	2,543
Profit and loss account	24	**122,831**	143,075
Total equity		**125,374**	145,618

The directors have taken the exemption provided by Section 408 of the Companies Act 2006 and have not presented a profit and loss account for the Company. The loss for the year of the Company was £15,964,000 (2021: profit of £14,608,000).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Called up share capital £'000	Profit and loss account £'000	Total equity attributable to owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
Balance as at 1 January 2021		2,543	204,157	206,700	(93)	206,607
Profit for the financial year	24	–	46,193	46,193	–	46,193
Other Comprehensive Income for the year		–	1,334	1,334	–	1,334
Total Comprehensive Income for the year		**–**	**47,527**	**47,527**	**–**	**47,527**
Dividends	25	–	(5,500)	(5,500)	–	(5,500)
Balance as at 31 December 2021		**2,543**	**246,184**	**248,727**	**(93)**	**248,634**
Balance as at 1 January 2022		2,543	246,184	248,727	(93)	248,634
Profit for the financial year	24	–	35,410	35,410	–	35,410
Other Comprehensive Income for the year		–	6,918	6,918	–	6,918
Total Comprehensive Income for the year		**–**	**42,328**	**42,328**	**–**	**42,328**
Dividends	25	–	(9,100)	(9,100)	–	(9,100)
Balance as at 31 December 2022		**2,543**	**279,412**	**281,955**	**(93)**	**281,862**

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance as at 1 January 2021		2,543	131,322	133,865
Profit for the financial year	24	–	14,608	14,608
Other Comprehensive Income for the year		–	2,645	2,645
Total Comprehensive Income for the year		**–**	**17,253**	**17,253**
Dividends	25	–	(5,500)	(5,500)
Balance as at 31 December 2021		**2,543**	**143,075**	**145,618**
Balance as at 1 January 2022		2,543	143,075	145,618
Loss for the financial year	24	–	(15,964)	(15,964)
Other Comprehensive Income for the year		–	4,820	4,820
Total Comprehensive Loss for the year			**(11,144)**	**(11,144)**
Dividends paid	25	–	(9,100)	(9,100)
Balance as at 31 December 2022		**2,543**	**122,831**	**125,374**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Cash generated from operating activities	26	**113,733**	63,200
Taxation (paid) / received		**(446)**	3,925
Net cash generated from operating activities		**113,287**	67,125
Cash flow (used in) / generated from investing activities			
Purchase of tangible assets		**(32,087)**	(7,745)
Purchase of intangible assets		**(56)**	(403)
Proceeds from disposal of intangible assets		**58**	–
Proceeds from disposal of tangible assets		**2,278**	8,128
Interest received	7	**1,837**	225
Term deposit with initial maturity more than three months	17	**(70,000)**	–
Net cash (used in) / generated from investing activities		**(97,970)**	205
Cash flow used in financing activities			
Dividends paid	25	**(9,100)**	(5,500)
Interest paid	8	**(2,727)**	(2,417)
New loans		**–**	15,000
Repayment of equipment loans		**(2,640)**	(39,070)
Repayment of obligations under finance leases		**(16,030)**	(8,025)
Net cash used in financing activities		**(30,497)**	(40,012)
Net (decrease) / increase in cash and cash equivalents		**(15,180)**	27,318
Effects of currency translation on cash and cash equivalents		**1,752**	(633)
Cash and cash equivalents at the beginning of the year		**235,303**	208,618
Cash and cash equivalents at the end of the year		**221,875**	235,303
Cash at bank and in hand consist of:			
Cash and cash equivalents at the end of the year		**221,875**	235,303
Term deposit with initial maturity more than three months	17	**70,000**	–
Cash at bank and in hand	17	**291,875**	235,303

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

General information

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

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

Statement of compliance

The Group and individual financial statements of J. Murphy & Sons Limited have been prepared in compliance with applicable accounting standards, including 'Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS102) and the Companies Act 2006.

Summary of significant accounting policies

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

Basis of preparation of financial statements

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

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

Going concern

The Group continues to meet its day to day working capital requirements. The Group had £291.9m of cash (of which £283.7m was unrestricted, which included £145m of funds placed on deposit) at the year end.

The directors have prepared cashflow forecasts for the Group for the period to December 2024 (the review period), showing a base case, a downside scenario and a reverse stress test. The key assumptions in the base case relate to the level of margin generated from secured contracts, settlement of contractual discussions and disputes, capital expenditure on plant, and short-term working capital needs. The base case demonstrates comfortable levels of cash resources throughout the review period. Performance in 2023 to date is in line with the base case.

The downside scenario demonstrates the effect of reduced order intake and reduced margin. The downside scenario was designed to demonstrate a pessimistic downside and shows that sufficient cash headroom can be maintained throughout the review period.

The reverse stress test was designed to determine what would have to happen to fully deplete existing cash resources. This scenario is considered remote given the cash resources of the Company, the strength of the underlying infrastructure business, the existing order book, and the quality of forecasting and contract management procedures.

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

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

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

The Company has taken advantage of the following exemptions:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

1 Accounting policies continued

Basis of consolidation

The financial statements consolidate the financial statements of J. Murphy & Sons Limited and all of its subsidiary undertakings ('subsidiaries'). All financial statements are prepared to 31 December 2022.

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

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

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

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

Business combinations

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

Goodwill

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

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

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

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

Intangible assets

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

The useful life for software development costs is three to five years.

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

Tangible assets and depreciation

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

1 Accounting policies continued

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

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

Land is not depreciated.

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

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

Investment properties

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

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

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

Investments

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

Non-controlling interests

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

Jointly controlled operations

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

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

Jointly controlled entities

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

1 Accounting policies continued

Stocks

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, short-term deposits held with banks and highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The Group considers any amount deposited for 12 months or less to be a short-term deposit.

Employee benefits

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

(a) Defined Benefit pension scheme

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

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

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

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

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

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

(b) Defined Contribution schemes

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

(c) Short term benefits

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

1 Accounting policies continued

Financial instruments

(a) Trade debtors and other receivables

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

(b) Amounts recoverable on contracts / payments on account

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

(c) Trade creditors and other payable

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

Share capital

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

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

Revenue recognition

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

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

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

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

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

Tender Costs

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

Other operating income

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

1 Accounting policies continued

Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

(a) Current tax

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

(b) Deferred tax

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

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

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

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

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

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

Finance lease assets

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

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

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

Operating leases

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

Foreign currency – Company

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

1 Accounting policies continued

Foreign currency – Group

The Group financial statements are presented in pounds sterling.

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

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

Related party transactions

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

2 Critical accounting judgements and estimation uncertainty

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

Critical accounting estimates and judgements

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

(a) Revenue recognition and contract losses

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

2 Critical accounting judgements and estimation uncertainty continued

(c) Defined Benefit pension scheme

The Group has disclosed in Note 22 the assumptions used in calculating the Defined Benefit pension scheme obligations. In performing the calculation, a number of assumptions around future salary increases, increase in pension benefits, mortality rates, inflation and discount rates have been made. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of the Defined Benefit pension scheme, such estimates are subject to significant uncertainty.

(d) Investment properties

The fair value of investment properties is based on a valuation by independent, professional valuers (Jones Lang LaSalle), who have performed their valuation in accordance with the RICS Valuation – Professional Standards and FRS 102.

There are significant judgements and estimates involved in valuing such properties which are subject to uncertainty in outcome, including current market yields, estimated rental values, capital expenditure requirements, void costs and tenant incentives. Refer to Note 12 for the assumptions.

(e) Carrying value of property for development

Inventories of property for development are stated in the balance sheet at the lower of cost and net realisable value. Due to the nature of development activity and, in particular, the length of the development cycle, the Group has to allocate site-wide development costs between completed units and those to be completed in future years. The factors affecting allocation are set out in the accounting policy section on stocks on page 73. The Group also has to make estimates of the costs to complete for such developments and the need for any impairment loss, calculated by reference to independent professional valuations. These estimates are reflected in the margin recognised on developments in relation to sales recognised in the current and future years and the carrying value of the inventory.

(f) Deferred tax

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

(g) Plant and machinery

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

3 Turnover

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

	2022 £'000	2021 £'000
United Kingdom and Ireland	**1,023,566**	961,011
Rest of the World	**459,363**	308,935
	1,482,929	1,269,946

4 Group operating profit

	2022 £'000	2021 £'000
This is stated after charging / (crediting):		
Staff costs (Note 5)	**293,661**	267,760
Amortisation of positive goodwill (Note 10)	**466**	468
Amortisation of negative goodwill (Note 10)	**(339)**	(345)
Amortisation of intangible assets (Note 11)	**2,981**	5,297
Depreciation of tangible assets (Note 12)	**27,510**	22,445
Profit on disposal of tangible fixed assets	**(1,133)**	(5,249)
Operating lease charges	**5,938**	5,638
Auditors' remuneration		
– audit of Company and Group financial statements	**350**	343
– audit of subsidiaries	**279**	252

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

5 Employee information

Group	2022 £'000	2021 £'000
Wages and salaries	**253,749**	234,543
Social security costs	**31,030**	24,974
Other pension costs	**8,882**	8,243
	293,661	267,760

The monthly average number of employees, including directors, during the year was as follows:	2022 Number	2021 Number
Management	**77**	63
Production	**3,104**	3,031
Administration	**507**	485
	3,688	3,579

Company	2022 £'000	2021 £'000
Wages and salaries	**204,661**	192,460
Social security costs	**27,201**	21,621
Other pension costs	**7,123**	6,635
	238,985	220,716

The monthly average number of employees, including directors, during the year was as follows:	2022 Number	2021 Number
Management	**54**	46
Production	**2,597**	2,576
Administration	**365**	360
	3,016	2,982

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

6 Directors' remuneration

Directors' remuneration	2022 £'000	2021 £'000
Aggregate remuneration	2,747	2,312
Money purchase pension contributions	146	133
Benefits in kind	9	7
	2,902	2,452
Highest paid director		
Aggregate remuneration	1,398	1,212
Other pension cost	80	71
	1,478	1,283

There are four (2021: four) directors to whom post-employment benefits are accruing under money purchase schemes. There is no participation by any directors in a Defined Benefit scheme. For the highest-paid director, there was no exercise of any share options and no participation in a Defined Benefit pension scheme.

Key management compensation

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

	2022 £'000	2021 £'000
Salaries and other short-term benefits	5,860	4,831
Post-employment benefits	273	283
	6,133	5,114

7 Interest receivable

	2022 £'000	2021 £'000
Bank and other interest receivable	1,837	225
	1,837	225

8 Interest payable

	2022 £'000	2021 £'000
Net Defined Benefit pension interest expense (Note 22)	224	262
Bank and other interest payable	1,024	933
Interest on finance leases	1,703	1,484
	2,951	2,679

9 Tax on profit

Tax credit included in the Consolidated profit and loss account

	2022 £'000	2021 £'000
Current tax:		
UK corporation tax at 19% (2021: 19%)		
- current year	6,928	(1,139)
- adjustments in respect of previous periods	375	738
Total current tax	7,303	(401)
Deferred tax:		
Accelerated capital allowances and other timing differences	1,291	12,826
Changes in tax laws and rates	486	5,268
Adjustments in respect of previous periods	86	(2,227)
Total deferred tax	1,863	15,867
Tax charge on profit / loss	9,166	15,466
Tax charge included in the Consolidated Statement of Comprehensive Income		
Current tax:		
UK corporation tax	793	(603)
Deferred tax:		
Origination and reversal of timing differences	3,252	(19)
Total tax charge included in the Consolidated statement of comprehensive income	4,045	(622)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

9 Tax on profit continued

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £'000	2021 £'000
Profit before taxation	**44,576**	61,659
Share of loss in joint venture, post taxation	**1,096**	1,291
Profit before taxation excluding share of loss in joint venture	**45,672**	62,950
Profit before taxation excluding share of loss in joint venture multiplied by standard rate in the UK of 19% (2021: 19%)	**8,678**	11,961
Effects of:		
Expenses not deductible for tax purposes	**692**	443
Income not taxable	**(389)**	(296)
Changes in tax rates	**328**	5,268
Tax charged directly to OCI	**(1,837)**	–
Indexation of revalued properties	**–**	(643)
Deferred tax not recognised	**(8)**	(67)
Adjustments in respect of previous periods	**461**	(2,514)
Effects of group relief	**98**	781
Difference in rate of tax overseas	**1,143**	533
Tax charge for the year	**9,166**	15,466

Deferred tax liability of £88,499 (2021: asset of £445,000) has not been recognised.

Factors affecting future tax charges

The Government made a number of budget announcements on 3 March 2021. These include confirming that the rate of corporation tax will increase to 25% from 1 April 2023. This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

10 Goodwill

Cost	Negative Goodwill £'000	Positive Goodwill £'000	Total £'000
At 1 January 2022	(1,137)	4,578	3,441
Cost	–	–	–
Exchange difference	–	256	256
Year ended 31 December 2022	**(1,137)**	**4,834**	**3,697**
Amortisation			
At 1 January 2022	(665)	2,213	1,548
Charge / (credit) for the year	(339)	466	127
Exchange difference	–	141	141
At 31 December 2022	**(1,004)**	**2,820**	**1,816**
Net book value			
At 31 December 2022	**(133)**	**2,014**	**1,881**
At 31 December 2021	(472)	2,365	1,893

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

11 Intangible assets

Group	Assets under development £'000	Other intangible assets in use £'000	Software Development in use £'000	Total £'000
Cost				
At 1 January 2022	58	888	14,909	15,855
Additions	56	–	–	56
Disposals	(58)	–	–	(58)
Year ended 31 December 2022	**56**	**888**	**14,909**	**15,853**
Amortisation				
At 1 January 2022	–	694	8,193	8,887
Charge for the year	–	178	2,803	2,981
At 31 December 2022	**–**	**872**	**10,996**	**11,868**
Net book value				
At 31 December 2022	**56**	**16**	**3,913**	**3,985**
At 31 December 2021	58	194	6,716	6,968

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

Other intangible assets in use consist of the amount paid by the Group to acquire the NG Utility frameworks during the previous years and are being amortised on a straight-line basis over a period of five years, the life of the frameworks (asset will be fully amortised in February 2023). The amortisation charge is recognised in the profit and loss account within cost of sales.

Assets under development comprises amounts capitalised during development of facility management software and will be amortised over the expected useful life when the underlying technology is brought into use.

Company	Assets under development £'000	Software Development in use £'000	Total £'000
Cost			
At 1 January 2022	–	14,908	14,908
Additions	56	–	56
Disposals	–	–	–
Transfers	–	–	–
Year ended 31 December 2022	**56**	**14,908**	**14,964**
Amortisation			
At 1 January 2022	–	8,193	8,193
Charge for the year	–	2,803	2,803
At 31 December 2022	**–**	**10,996**	**10,996**
Net book value			
At 31 December 2022	**56**	**3,912**	**3,968**
At 31 December 2021	–	6,715	6,715

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

Assets under development comprises amounts capitalised during development of facility management software and will be amortised over the expected useful life when the underlying technology is brought into use.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

12 Tangible assets

Group	Investment properties £'000	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Computer and other equipment £'000	Total £'000
Cost / Valuation						
At 1 January 2022	147,223	31,561	126,398	33,732	8,162	347,076
Additions	1,683	10,845	34,457	5,952	1,067	54,004
Disposals	–	–	(5,256)	(3,579)	(884)	(9,719)
Revaluation	(623)	–	–	–	–	(623)
Transfers	1,177	(718)	1,959	(1,959)	–	459
Exchange difference	–	682	2,164	396	112	3,354
At 31 December 2022	**149,460**	**42,370**	**159,722**	**34,542**	**8,457**	**394,551**
Depreciation						
At 1 January 2022	–	6,264	65,390	16,385	6,420	94,459
Charge for the year	–	1,291	19,895	5,211	1,113	27,510
Disposals	–	–	(4,605)	(3,415)	(884)	(8,904)
Transfers	–	–	436	(436)	–	–
Exchange difference	–	70	882	125	77	1,154
At 31 December 2022	**–**	**7,625**	**81,998**	**17,870**	**6,726**	**114,219**
Net book value						
At 31 December 2022	**149,460**	**34,745**	**77,724**	**16,672**	**1,731**	**280,332**
At 31 December 2021	147,223	25,297	61,008	17,347	1,742	252,617

Following the review of properties portfolio, two properties were transferred, one from stock (£459,000) and one from Land and buildings (£718,000) to Investment properties. The historical cost of investment properties is £27,652,000 (2021: £26,494,000). The net carrying amount of assets held under finance leases included in plant and machinery and motor vehicles is £46,320,000 (2021: £47,066,000).

The 2022 valuations were prepared by external valuers Jones Lang LaSalle, who are members of the Royal Institute of Chartered Surveyors and have recent experience in the location and category of the investment properties being valued. The valuation is on the basis of open market value. The key assumptions made relating to the valuations are set out below:

	Industrial property		Open storage	
	2022	2021	**2022**	2021
Yield	**5.25% – 8.00%**	3.41% – 8.58%	**7.75% – 8.50%**	5.25% – 7.00%
Voids / letting periods	**6 months – 12 months**	6 months – 12 months	**6 months – 12 months**	6 months – 12 months
Market rents	**£5.00 – £14.50 per sq. foot**	£3.75 – £7 per sq. foot	**£0.35 – £1.75 per sq. foot**	£0.45 – £0.80 per sq. foot

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

12 Tangible assets continued

Company	Investment properties £'000	Land and buildings £'000	Plant and machinery £'000	Computer and other equipment £'000	Total £'000
Cost / Valuation					
At 1 January 2022	835	24,828	6,249	5,449	37,361
Additions	–	402	58	790	1,250
Disposals	–	(1,577)	–	–	(1,577)
Revaluation	3,048	–	–	–	3,048
Transfer	1,177	(718)	–	–	459
At 31 December 2022	**5,060**	**22,935**	**6,307**	**6,239**	**40,541**
Depreciation					
At 1 January 2022	–	5,058	3,355	4,287	12,700
Charge for the year	–	1,198	620	729	2,547
Disposals	–	–	–	–	–
At 31 December 2022	**–**	**6,256**	**3,975**	**5,016**	**15,247**
Net book value					
At 31 December 2022	**5,060**	**16,679**	**2,332**	**1,223**	**25,294**
At 31 December 2021	835	19,770	2,894	1,162	24,661

Following the review of properties portfolio, two properties were transferred, one from stock and one from Land and buildings to Investment properties. The historical cost of investment properties is £1,576,000 (2021: £399,000).

The 2022 valuations were prepared by external valuers Jones Lang LaSalle, who are members of the Royal Institute of Chartered Surveyors and have recent experience in the location and category of the investment properties being valued. The valuation is on the basis of open market value. The key assumptions made relating to the valuations are set out below:

	Open storage	
	2022	2021
Yield	**8.00%**	5.25%
Voids / letting periods	**None**	None
Market rents	**£1.50 per sq. foot**	£3.75 per sq. foot

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

The net carrying amount of assets held under finance leases included in plant and machinery is £1,597,000 (2021: £1,988,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

13 Investments in joint ventures

Group	£'000
Share of net assets at 1 January 2022	4,598
Increase in investments in joint ventures*	3,000
Share of (losses) for the period, post-tax	(1,096)
Exchange difference	17
Share of net assets at 31 December 2022	**6,519**

* During 2022, SGN and JMS, partners of Murphy Asset Services Limited group (MASL) subscribed additional shares in MASL for a subscription price of £3m by each partner.

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

	Activities	Country of incorporation	Percentage of ordinary shares held by Group
Surerus Murphy Ltd.	Pipeline industry support operations	Canada	50%
Murphy Asset Services Limited	Gas pipeline and electricity power line adoption and operation	England	50%
Murphy GMC Partnership	Pipeline installation	Republic of Ireland	50%
Optimise (Water) LLP	Civil engineering and utilities contracting	England	36%

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

	Surerus Murphy Ltd.		Murphy Asset Services Limited group	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Turnover	**6,959**	4,231	**512**	175
Operating loss	**(37)**	(78)	**(1,044)**	(1,213)
Interest payable	**–**	–	**(15)**	–
Loss before taxation	**(37)**	(78)	**(1,059)**	(1,213)
Tax on loss	**–**	–	**–**	–
Loss for the period	**(37)**	(78)	**(1,059)**	(1,213)

There was no turnover or profit / loss from Optimise (Water) LLP and Murphy GMC Partnership in either the current or preceding financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

14 Investments

Company	Investment in subsidiaries £'000
Cost and net book value	
At 1 January 2022 and 31 December 2022	**837**

Investment in subsidiaries

The Company has the following directly wholly owned subsidiary companies:

	Percentage of ordinary shares	Country of incorporation	Activities	Registered address
J.M. Piling Co. Limited	100%	England	Construction	Hiview House, Highgate Road, London, NW5 1TN
J. Murphy & Sons (Delancey Street) Limited	100%	England	Construction	Hiview House, Highgate Road, London, NW5 1TN
J. Murphy & Sons (Holdings) Limited	100%	England	Holding company	Hiview House, Highgate Road, London, NW5 1TN
Land and Marine Engineering Limited	100%	England	Engineering	Hiview House, Highgate Road, London, NW5 1TN
McCann Drilling Limited	80%	Northern Ireland	Dormant company	26 Crossmaglen Road, Newry, BT35 9UB
Murphy Pipelines Limited	100%	England	Construction	Hiview House, Highgate Road, London, NW5 1TN
Murphy Plant Limited	100%	England	Plant hiring	Hiview House, Highgate Road, London, NW5 1TN
Murphy Power Networks Limited	100%	England	Engineering	Hiview House, Highgate Road, London, NW5 1TN
Murphy Group Investments Limited	100%	England	Holding company	Hiview House, Highgate Road, London, NW5 1TN
Murphy Technical Services Limited	100%	England	Engineering	Hiview House, Highgate Road, London, NW5 1TN
Pre-Mixed Concrete (Midlands) Limited	100%	England	Dormant company	Hiview House, Highgate Road, London, NW5 1TN
Rocklift Limited	90%	Scotland	Dormant company	Exchange Tower, 19 Canning Street, Edinburgh, EH3 8EH

The Company has the following indirectly wholly owned subsidiary companies:

	Percentage of ordinary shares	Country of incorporation	Activities	Registered address
Dalston Lane Terrace Management Limited	Limited by guarantee	England	Real estate	Hiview House, Highgate Road, London, NW5 1TN
Murphy Project Gas 2 Limited (previously: Murphy Environmental Systems Limited)	100%	England	Real estate	Hiview House, Highgate Road, London, NW5 1TN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

14 Investments continued
Investment in subsidiaries continued

	Percentage of ordinary shares	Country of incorporation	Activities	Registered address
Murphy Investments (Holdings) Limited	100%	England	Holding company	Hiview House, Highgate Road, London, NW5 1TN
Delancey Commercial Limited	100%	England	Real estate	Hiview House, Highgate Road, London, NW5 1TN
Delancey Residential Limited	100%	England	Real estate	Hiview House, Highgate Road, London, NW5 1TN
Earth Tech Holdings Limited	100%	Republic of Ireland	Holding company	Great Connell, Newbridge, Co Kildare
Great Connell Murphy Investments Limited (previously: Jones Environmental Limited)	100%	Republic of Ireland	Real Estate	Great Connell, Newbridge, Co Kildare
Jones Environmental UK Limited	100%	Republic of Ireland	Dormant	Great Connell, Newbridge, Co Kildare
Murphy Asset Services Holdings Limited	100%	England	Holding company	Hiview House, Highgate Road, London, NW5 1TN
Murphy OHL Limited	100%	England	High voltage overhead line projects	Hiview House, Highgate Road, London, NW5 1TN
Murphy Group Canada Limited	100%	Canada	Construction	400 3rd Avenue, Calgary, Alberta T2P 4H2
Murphy Homes Limited	100%	England	Construction	Hiview House, Highgate Road, London, NW5 1TN
Murphy International Limited	100%	Republic of Ireland	Construction	Great Connell, Newbridge, Co Kildare
Murphy Investments (Mammoth) Limited	100%	England	Real estate	Hiview House, Highgate Road, London, NW5 1TN
Murphy Investments (Morson Road) Limited	100%	England	Real estate	Hiview House, Highgate Road, London, NW5 1TN
Murphy Process Engineering Limited	100%	Republic of Ireland	Water and waste water engineers	Great Connell, Newbridge, Co Kildare
Rock Homes Limited	100%	Scotland	Dormant company	Exchange Tower, 19 Canning Street, Edinburgh, EH3 8EH
Murphy Golborne Limited	100%	England	Real Estate	Hiview House, Highgate Road, London, NW5 1TN

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

14 Investments continued
Investment in subsidiaries continued

The Company has the following indirectly owned joint ventures:

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

15 Stocks

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Raw materials and consumables	**2,204**	2,502	**787**	1,482
Property for resale	**1,782**	3,138	**-**	–
Property for development	**314**	705	**279**	669
	4,300	6,345	**1,066**	2,151

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

During the year, £459,000 (2021: £nil) was transferred from Property for development to Investment properties.

16 Debtors

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Amount falling due within one year				
Trade debtors	**45,451**	26,299	**24,144**	14,877
Retentions (short-term)	**31,914**	41,279	**8,210**	16,367
Amounts owed by Group undertakings	**-**	–	**177,618**	160,953
Amounts owed by parent company	**5,092**	4,511	**5,089**	4,396
Amounts owed by related parties	**5,382**	7,067	**3,976**	3,299
Amounts recoverable on contracts	**124,142**	82,775	**70,927**	49,004
Deferred tax asset (Note 20)	**115**	70	**4,092**	9,056
Corporation tax	**-**	–	**304**	
Other debtors	**10,910**	4,373	**10,701**	3,389
Prepayments and accrued income	**4,220**	4,038	**2,416**	2,892
	227,226	170,412	**307,477**	258,611
Non-current				
Retentions (long-term)	**12,259**	10,157	**6,050**	5,622
Total debtors	**239,485**	180,569	**313,527**	264,233

Trade debtors for the Group are stated after provision for impairment of £901,625 (2021: £748,691).

Included in amounts owed by related parties is £3,188,000 (2021: £3,082,000) due from Folgate Estates Limited, £1,300,000 (2021: £1,087,000) due from HMJV Limited, £nil (2021: £1,945,000) due from Surerus Pipeline Inc and £894,000 (2021: £953,000) due from other related parties.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

17 Cash at bank and in hand

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Cash and cash equivalents in cash flow	221,875	235,303	151,242	203,748
Term deposit with initial maturity more than three months	70,000	–	70,000	–
Cash at bank and in hand	291,875	235,303	221,242	203,748

Amounts held on term deposit are considered short term and all mature within 12 months of the balance sheet date.

18 Creditors: amounts falling due within one year

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Short-term loans	1,350	3,748	–	–
Trade creditors	34,588	32,862	17,635	15,006
Amounts owed to Group undertakings	–	–	108,864	99,555
Amounts owed to related parties	368	–	58	187
Finance leases (Note 19)	13,378	17,153	484	796
Corporation tax	8,375	1,536	–	525
Other taxation and social security	32,470	27,655	33,561	29,063
Other creditors	3,182	1,601	3,262	1,587
Payments received on account and amounts accrued on contracts	98,776	57,996	62,377	41,099
Accruals and deferred income	285,170	223,820	212,185	153,588
	477,657	366,371	438,426	341,406

Included in accruals and deferred income is £16,168,000 (2021: £5,006,000) of provisions for future contract losses. Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

The short-term loans are a £1.4m / CAD\$2.2m (2021: £3.7m / CAD\$6.4m) drawdown from the equipment loan, being the Group's share of the balance drawn on the non-revolving equipment loan facility by Surerus Murphy, a 50% joint venture in Canada. The equipment loan bears interest at market rates indexed to the prime lending rate or a fixed rate to be determined at drawdown. It is repayable on demand; however, the principal repayments are expected to be repaid as follows: 2023: £1.3m, 2024: £0.1m. See Note 27.

19 Creditors: amounts falling due after more than one year

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Long-term loans	15,000	15,000	–	–
Finance leases	22,458	19,264	397	800
	37,458	34,264	397	800

The long-term loan of £15m relates to the amount drawn on the HSBC working capital facility. This is a 3 year facility, will end on 31 March 2024, and any amounts drawn are repayable at this date. The obligors for this facility are Murphy Investments (Holdings) Limited, Murphy Investments (Mammoth) Limited and Murphy Investments (Morson Road) and the investment properties held within the obligors are used as security for the facility.

Finance leases

The future minimum finance lease payments are as follows:

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Not later than one year	14,217	17,954	497	822
Later than one year and not later than five years	23,987	20,624	416	847
Total gross payments	38,204	38,578	913	1,669
Less: finance charges	(2,368)	(2,161)	(32)	(74)
Carrying amount of liability	35,836	36,417	881	1,595

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

20 Provision for liabilities

Group	£'000
Deferred tax (liability) / asset	
At 1 January 2022	(24,433)
Deferred tax charged in Consolidated profit and loss account	(1,777)
Deferred tax charged in OCI	(3,252)
Adjustments in respect of previous years	(86)
Exchange differences	–
At 31 December 2022	**(29,548)**

Deferred tax asset (Note 16)	115
Deferred tax liability	(29,663)
Total net deferred tax liability	**(29,548)**

Group	2022 £'000	2021 £'000
Tax effect of timing differences because of:		
Fixed assets timing differences	**(26,194)**	(23,997)
Short term timing differences	**(6,596)**	(7,717)
Losses	**2,516**	3,303
Deferred tax excluding that relating to pension deficit	**(30,274)**	(28,411)
Deferred tax relating to pension deficit	**726**	3,978
Total net deferred tax liability	**(29,548)**	(24,433)

Company	£'000
Deferred tax asset	
At 1 January 2022	**9,056**
Deferred tax charged in profit and loss account	(4,199)
Adjustments in respect of previous years	(765)
At 31 December 2022	**4,092**

Company	2022 £'000	2021 £'000
Tax effect of timing differences because of:		
Fixed assets timing differences	**795**	1,210
Short-term timing differences	**55**	585
Losses	**2,516**	3,303
Deferred tax excluding that relating to pension deficit	**3,366**	5,098
Deferred tax relating to pension deficit	**726**	3,958
Total net deferred tax asset	**4,092**	9,056

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

21 Financial assets and liabilities

Group

The Group has the following financial assets:

	Note	2022 £'000	2021 £'000
Financial assets that are debt instruments measured at amortised cost:			
– Trade debtors	16	**45,451**	26,299
– Retentions (short-term)	16	**31,914**	41,279
– Retentions (long-term)	16	**12,259**	10,157
– Amounts owed by parent company	16	**5,092**	4,511
– Amounts owed by related parties	16	**5,382**	7,067
– Amount recoverable on contracts	16	**124,142**	82,775
– Other debtors	16	**10,910**	4,373
		235,150	176,461

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

21 Financial assets and liabilities continued

The Group has the following financial liabilities:

	Note	2022 £'000	2021 £'000
Financial liabilities measured at amortised cost:			
– Trade creditors	18	**34,588**	32,862
– Short-term loans	18	**1,350**	3,748
– Amounts owed to related parties	18	**368**	–
– Other creditors	18	**3,182**	1,601
– Payments received on account and amounts accrued on contracts	18	**98,776**	57,996
– Accruals and deferred income	18	**285,170**	223,820
		423,434	320,027

Company

The Company has the following financial assets:

	Note	2022 £'000	2021 £'000
Financial assets that are debt instruments measured at amortised cost:			
- Trade debtors	16	**24,144**	14,877
- Retentions (short-term)	16	**8,210**	16,367
- Retentions (long-term)	16	**6,050**	5,622
- Amounts owed by Group undertakings	16	**177,618**	160,953
- Amounts owed by parent company	16	**5,089**	4,396
- Amounts owed by related party	16	**3,976**	3,299
- Amounts recoverable on contracts	16	**70,927**	49,004
- Other debtors	16	**10,701**	3,389
		306,715	252,285

Company

The Company has the following financial liabilities:

	Note	2022 £'000	2021 £'000
Financial liabilities measured at amortised cost:			
– Trade creditors	18	**17,635**	15,006
– Amounts owed to Group undertakings	18	**108,864**	99,555
– Amounts owed to related party	18	**58**	187
– Other creditors	18	**3,262**	1,587
– Payments received on account and amounts accrued on contracts	18	**62,377**	41,099
– Accruals and deferred income	18	**212,185**	153,588
		404,381	311,022

22 Post-employment benefits

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

	2022 £'000	2021 £'000
Defined Contribution schemes	**8,839**	7,402

Defined Contribution schemes

The Group operates Defined Contribution schemes in the UK, Ireland and Canada. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £8,839,000 (2021: £7,402,000). Contributions totalling £1,492,000 (2021: £1,213,000) were payable after the year end and are included in creditors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

22 Post-employment benefits continued

Defined Benefit pension scheme

The Company operates a Defined Benefit scheme in the UK. This is a separate trustee administered fund holding the pension scheme assets to meet long-term pension liabilities. A full actuarial valuation was carried out at 31 May 2021 and updated to 31 December 2022 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

This most recent actuarial valuation showed a deficit of £15,566,000. The Company has agreed with the trustees that it will aim to eliminate the deficit over a period of four years from 31 August 2022 by the payment of contributions in respect of the deficit of £4,000,000 payable by 31 August 2022, £4,000,000 payable by 31 January 2023, £4,000,000 payable by 31 January 2024 and £3,524,000 by 31 January 2025. In addition, if in any financial year (namely a period from 1 January to 31 December), J. Murphy & Sons Limited pays dividends totalling more than four times the contribution due in the Plan year ending on the 31 May following the end of that year, the Employer will pay an additional contribution amounting to the difference between the total dividends and that amount of four times the contribution due in that year under the recovery plan, with this additional contribution being paid by the same 31 May. Any such additional contributions paid by the Employer will be capped at the amount outstanding in the Recovery Plan period.

Remeasurement assumptions

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

	2022	2021	2020
Retail Price Index	**3.30%**	3.50%	3.00%
Rate of discount	**5.00%**	1.80%	1.40%
Allowance for pension in payment increases of RPI or 5% pa if less	**3.10%**	3.50%	2.90%
Allowance for revaluation rate for deferred pensions of CPI or 5% if less	**2.90%**	2.60%	2.60%
Allowance for commutation of pension requirement	**50%**	50%	50%

The mortality assumptions adopted at 31 December 2022 imply the following life expectancies:

	2022	2021
Male retiring at age 65	**22.3**	21.8
Female retiring at age 65	**24.1**	23.7
Male retiring at age 65 in 20 years	**23.6**	23.1
Female retiring at age 65 in 20 years	**25.6**	25.3

Defined Benefit liability

The assets in the scheme were:

	Value at 31 December 2022 £'000	Value at 31 December 2021 £'000	Value at 31 December 2020 £'000
Cash and other assets	**5,499**	122	60
Buy-in policies	**28,295**	39,610	42,106
Diversified growth and Liability Driven Investments	**23,546**	40,858	42,567
Total market value of assets	**57,340**	80,590	84,733
Present value of scheme liabilities	**(59,077)**	(95,111)	(104,228)
Pension liability	**(1,737)**	(14,521)	(19,495)

Reconciliation of scheme assets and liabilities

	Assets £'000	Liabilities £'000	Total 2022 £'000	Total 2021 £'000
At 1 January	**80,590**	**(95,111)**	**(14,521)**	(19,495)
Interest income	**1,473**	**–**	**1,473**	1,145
Interest expenses	**–**	**(1,697)**	**(1,697)**	(1,397)
Remeasurement gains / (losses)	**(27,239)**	**36,072**	**8,833**	2,063
Employer contributions	**4,175**	**–**	**4,175**	3,163
Benefits paid	**(1,659)**	**1,659**	**–**	–
At 31 December	**57,340**	**(59,077)**	**(1,737)**	(14,521)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

22 Post-employment benefits continued

Total expense recognised in the Consolidated profit and loss account

	2022 £'000	2021 £'000
Analysis of amounts (charged) / credited to profit and loss are as follows:		
Interest income	**1,473**	1,145
Interest expense	**(1,697)**	(1,407)
Net expense	**(224)**	(262)

The Group expects to contribute £4,000,000 to its Defined Benefit pension scheme in 2023 (2022: £3,000,000).

Remeasurement loss recognised in the Consolidated Statement of Comprehensive Income

	2022 £'000	2021 £'000
(Loss) / gain on pension scheme assets	**(27,239)**	623
(Loss) / experience gain arising on the plan benefit scheme liabilities	**(471)**	566
Changes in assumptions underlying present value of the plan benefit scheme liabilities	**36,543**	874
Remeasurement profit/ (loss) recognised in the Consolidated statement of Comprehensive Income	**8,833**	2,063

The cumulative amount of remeasurement gains and losses recognised in the Consolidated statement of comprehensive income was a loss of £35,928,000 (2021 loss of £44,761,000).

23 Called up share capital

	2022 £'000	2021 £'000
Allotted, called up and fully paid		
300,000 (2021: 300,000) Ordinary shares of £1 each	**300**	300
1,950,000 (2021: 1,950,000) 1% Non-cumulative preference shares of £1 each	**1,950**	1,950
487,500 (2021: 487,500) 1% Non-cumulative second preference shares of 10 pence each	**49**	49
2,437,500 (2021: 2,437,500) 'A' Ordinary shares of 10 pence each	**244**	244
	2,543	2,543

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

24 Reserves

	Group Profit and loss account £'000	Company Profit and loss account £'000
At 1 January 2022	246,184	143,075
Profit / (loss) for the financial year	35,410	(15,964)
Remeasurement gain on pension scheme	8,833	8,833
Movement on deferred tax relating to remeasurement gain on pension scheme	(4,045)	(4,045)
Dividends paid	(9,100)	(9,100)
Currency translation difference	2,130	32
At 31 December 2022	**279,412**	**122,831**

25 Dividends

	Group		Company	
Equity – ordinary	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000
Dividend paid	**(9,100)**	(5,500)	**(9,100)**	(5,500)
Dividend received	**–**	–	**6,500**	42,000

£9,100,000 of dividends were declared and paid by the Group during the year (2021: £5,500,000).

£9,100,000 of dividends were declared and paid by the Company during the year (2021: £5,500,000) and £6,500,000 of dividends were received by the Company from its subsidiaries during the year (2021: £42,000,000).

26 Cash generated from / (used in) operating activities

	2022 £'000	2021 £'000
Profit for the financial year	**35,410**	46,193
Adjustments for:		
Tax on profit	**9,166**	15,466
Net interest payable	**1,114**	2,454
Profit/ (Loss) on exchange – Unrealised	**(1,752)**	633
Loss / (Gain) on revaluation of investment properties	**623**	(44,358)
Share of loss of joint venture, post tax	**1,096**	1,291
Profit on sale of subsidiary undertaking	**–**	–
Group operating profit	**45,657**	21,679
Depreciation of tangible fixed assets	**27,510**	22,445
Amortisation of intangible fixed assets	**2,981**	5,297
Amortisation of goodwill	**466**	468
Amortisation of negative goodwill	**(339)**	(345)
Profit on disposal of tangible fixed assets	**(1,133)**	(5,249)
Post-employment benefits cash contributions	**(4,175)**	(3,172)
Exchange differences on translation of foreign operations	**(1,528)**	(1,199)
Working capital movements:		
Decrease in stocks	**2,045**	1,381
Decrease / (increase) in trade debtors and other receivables	**(59,686)**	(8,409)
Increase in trade creditors and other payables	**101,935**	30,303
Cash generated from operating activities	**113,733**	63,199

Balance of cash at bank includes restricted cash of £8,140,000 (2021: £7,120,000) (see Note 17), amounts placed on term deposit that mature after 3 months £70,000,000 (2021: £nil), as well as restricted cash of £26,580,000 (2021: £34,400,000) relating to joint operations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

27 Contingent liabilities

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

A charge in favour of HSBC Bank plc in respect of the RCF exists over certain of the Group's investment properties. The carrying value of investment property subject to a charge is £145,460,000 (2021: £147,223,000).

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

Murphy Group Canada Limited has provided general security agreements and guarantees for credit facilities entered into by Surerus Murphy, a 50% joint venture in Canada. The aggregate amount available under the credit facilities is £23,870,000 (CAD38,860,000), comprising a revolving credit facility of £21,740,000 (CAD35,400,000) which was undrawn at 31 December 2022 and a non-revolving equipment loan facility of £2,130,000 (CAD3,460,000) which was partly drawn at 31 December 2022 (see Note 18).

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

In order to cover contingent liabilities under insurance arrangements, the Company has placed £1,750,000 (2021: £1,750,000) in separate bank accounts with the Company's bankers. In the event of the Company's insolvency, the funds will be used to meet insurance claims.

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

The Company has issued letters of support to certain wholly owned subsidiary companies, to ensure they are able to meet their liabilities as they fall due, for a period of 12 months from the date each subsidiary approves its 31 December 2022 financial statements.

The Company is providing certain wholly owned UK subsidiaries with guarantees of their respective debts as disclosed in Note 31.

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

28 Capital commitments

At 31 December the Group had capital commitments as follows:	2022 £'000	2021 £'000
Tangible assets contracted for but not provided	**10,396**	18,206

29 Operating lease commitments

Operating lease agreements where the Group is a lessee

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

Group	2022 £'000	2021 £'000
Within one year	**6,416**	5,620
Between two and five years	**18,751**	16,354
After more than five years	**1,816**	4,088
	26,983	26,062

Company	2022 £'000	2021 £'000
Within one year	**3,283**	2,961
Between two and five years	**12,930**	11,692
After more than five years	**1,539**	3,826
	17,752	18,479

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

29 Operating lease commitments continued

Operating lease agreements where the Group is a lessor

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

Group	2022 £'000	2021 £'000
Within one year	**3,747**	3,100
Between two and five years	**7,202**	6,776
After more than five years	**23,271**	24,366
	34,220	34,242

There were no contingent rents recognised by the Group as revenue during the year (2021: £nil)

Company	2022 £'000	2021 £'000
Within one year	**2,068**	756
Between two and five years	**1,717**	704
After more than five years	**161**	201
	3,946	1,661

There were no contingent rents recognised by the Company as revenue during the year (2021: £nil).

30 Related party transactions

Group

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

Joint operation name	Share	2022 Turnover £'000	2021 Turnover £'000
Advance Plus	50.00%	**64,782**	45,409
Agility	50.00%	**67,405**	72,930
HMJV	50.00%	**73,864**	55,034
LMJV	50.00%	**41,729**	89,409
Murphy Carey JV	50.00%	**2,035**	5,367
Surerus Murphy	50.00%	**441,514**	308,936
Total		**691,329**	577,085

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

The amounts owed by and to the related companies at 31 December 2022 and 31 December 2021 are shown in notes 16 and 18.

During the year, rents of £2,317,000 (2021: £2,271,000) were charged to the Group in respect of property owned by Folgate. Property development work of £492,000 (2021: £3,908,000) was carried out on the Folgate properties and invoiced by the Group to Folgate. Management charges of £606,000 (2021: £754,000) were charged to Folgate. Charges for other services provided to Folgate totalled £nil (2021: £nil). In addition, the Group utilised £5,750,294 (2021: £3,082,000) of tax losses to Folgate, consideration for which remained outstanding at the balance sheet date.

During the year, the Group was charged lease rental costs of €75,000 (2021: €75,000) by Ballyfarm Limited, a related party via a director. At 31 December 2022, £nil (2021: £nil) was owed to Ballyfarm Limited by the Group.

Key management compensation

See Note 6 for disclosure of the key management compensation.

Company

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

31 Audit exemption provided to certain UK Group subsidiaries

The Company is providing certain wholly owned UK subsidiaries (as disclosed in Note 14 and which are included within these Group consolidated financial statements) with guarantees of their respective debts in the form prescribed by Section 479C of the Companies Act 2006 ('the Act') such that they can claim exemption from requiring an audit in accordance with Section 479A of the Act. These guarantees cover all of the outstanding actual and contingent liabilities of these companies at 31 December 2022:

Subsidiary	Company number
J. Murphy & Sons (Delancey Street) Limited	09263875
J. Murphy & Sons (Holdings) Limited	11273396
Murphy Asset Services Holdings Limited	12004514
Murphy Group Investments Limited	11123319
Murphy Pipelines Limited	00861600

32 Consolidated analysis of changes in net debt

	Notes	1 January 2022 £'000	Cashflow £'000	New finance leases £'000	31 December 2022 £'000
Cash at bank and in hand		**235,303**	**(13,428)**	**–**	**221,875**
Bank loans	18	(3,748)	2,398	–	(1,350)
Debt due within 1 year		**(3,748)**	**2,398**	**–**	**(1,350)**
Bank loans	19	(15,000)	–	–	(15,000)
Debt due after 1 year		**(15,000)**	**–**	**–**	**(15,000)**
Obligations under finance leases	18 & 19	(36,417)	16,030	(15,448)	(35,835)
Total net debt		**180,138**	**5,000**	**(15,448)**	**169,690**

33 Post balance sheet events

In March 2023, the Company, J. Murphy & Sons Limited, declared and paid an interim dividend of £5.8m in respect of 2022.

34 Controlling party

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

J. Murphy & Sons Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2022. These consolidated financial statements can be obtained from Hiview House, Highgate Road, London NW5 1TN.

Drilton Limited is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2022. The consolidated financial statements of Drilton Limited are available from Hiview House, Highgate Road, London NW5 1TN.

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