MURPHY

WORLD-CLASS INFRASTRUCTURE

ANNUAL REPORT AND ACCOUNTS

2021

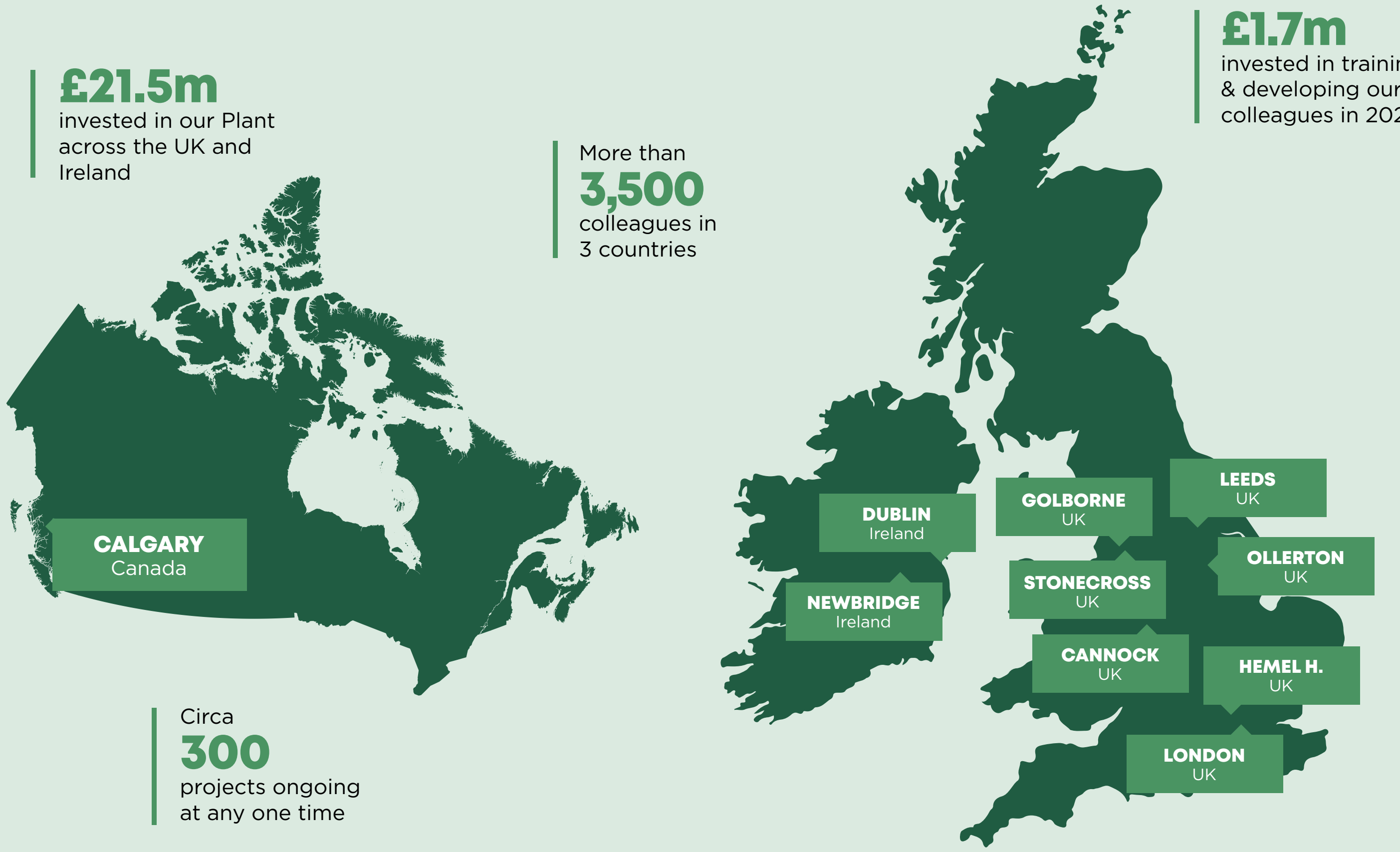
IMPROVING LIVES BY DELIVERING WORLD-CLASS INFRASTRUCTURE

OVERVIEW

£21.5m
invested in our Plant across the UK and Ireland

More than
3,500
colleagues in 3 countries

£1.7m
invested in training & developing our colleagues in 2021



Circa
300
projects ongoing at any one time

WHAT WE HAVE DONE IN 2021

MURPHY AT 75

Sustained progress against strategic objectives, grown our business and Improved our cash position

Significant Project Wins
£2.239bn of secured and anticipated orders across our UK, Canada and Ireland businesses

Reduced Accident Frequency Rate from 0.06 in 2020 to 0.04 in 2021

Climate Action
Reduced fuel usage by 30%, 98.2% of waste diverted from landfill and 10,000 trees planted or preserved

Protected our people and our projects Over 140,000 Covid-19 tests completed

£21.5m invested in environmentally friendly plant

Increased revenue by 14% year on year

Social Value
£21k raised for CALM, Ban-the-Box, The BIG Inclusion Programme Inclusive Employers Toolkit

Emerging Talent
46 graduates, 60 apprentices, 24 placements and 66% of Kickstarters accepted a role or apprenticeship

GROUP HIGHLIGHTS

Revenue
£1,270m 2021
£1,114m 2020

Operating profit
£21.7m 2021
£13m 2020

Order book
£2.239bn 2021
£1.752bn 2020

Net Cash
£216.6m 2021
£173.8m 2020

Investment Property Valuation
£147.2m 2021
£102.8m 2020

Employees
3,579 2021
3,449 2020

CONTENTS

In 2026 the Murphy business will be in its 75th year and we have consolidated our path in the 'Murphy at 75' strategy:

STRATEGY & PURPOSE

Murphy's purpose is to improve life by delivering world-class infrastructure across the transportation, water and energy sectors in the UK, Ireland and Canada.

Through our direct delivery model, 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.

Our vision is to be the leading family-owned construction business.

We will 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. Our culture and values are the foundation of the achievement of our objectives, and our people are at the heart of everything we do.

Having a strong balance sheet and a long-term, profitable, secured workload with trusted clients enables us to make the best decisions for our business. Robust governance processes, targeted contract selection and delivery excellence support our framework for future growth. This allows us to invest in our people and plant, drive increasing levels of social value, and focus on our pathway to net zero.

With a proven track record of delivery, we continue to focus on our strategic sectors of transportation, water and energy. We are passionate about our direct delivery offering and the benefits it brings. 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 frontline teams in delivering world-class infrastructure.

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

FUEL
Producing fuel 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

We focus on the issues that matter the most to our clients, our people and the communities that we work in. As a leading family-owned responsible business we:

- Ensure Murphy is a safe, inclusive and great place to work, where everyone can be at their best and supported in their career progression
- Consistently deliver the basics in a sustainable manner to achieve operational excellence
- Enable a greener future
- Enhance society and the communities we work in through our commitment to social value

Founded on robust corporate governance and positive financial performance, delivering long-term, sustainable and profitable growth.

MURPHY BUSINESS STRUCTURE

During 2021 we have enhanced our leadership team and modified our business structure, driving continuous improvement towards the achievement of our Murphy at 75 vision: to be the leading family-owned construction business.

We are committed to continually improving our offering to clients, employees and supply chain with a range of targeted internal performance metrics. The successful achievement of those measures in 2021 has been founded on a number of detailed strategies and effectively supported by our Brilliant Basics initiatives to improve productivity, IT systems and project management capability

Looking ahead

In 2022 we shall continue to embed those initiatives and launch new ones. Specifically, enhancing the training programme for our supervisors, simplification and streamlining of our internal processes, and continuous improvement of quality assurance.

MURPHY AT 75: HOW OUR STRUCTURE WORKS

1. **We are a projects-led business operating across three countries with functions supporting on a country and project basis.**
2. **Strategy, governance and assurance, policies and consistency of approach will be lead by the Group and Country Leadership Teams.**
3. **Functional strategy is developed and driven by the relevant functional directors in collaboration with country and business unit Managing Directors. Functional project support roles working within a business unit are embedded in that business unit.**

COMPANY STRUCTURE

GROUP EXECUTIVE COMMITTEE

MICK FITZPATRICK	**JOHN G MURPHY**	**KARL BUDGE**	**JOHN KINIRONS**	**PAUL GRAMMER**	**JOHN MURPHY**	**NICK FLETCHER**	**J P MURPHY**	**JOE LEDWIDGE**	**DAWN MOORE**
MANAGING DIRECTOR	MANAGING DIRECTOR	GROUP BUSINESS DEVELOPMENT & STRATEGY DIRECTOR	GROUP SHES & SUSTAINABILITY DIRECTOR	GROUP COMMERCIAL DIRECTOR	CEO	MANAGING DIRECTOR	COMPANY SECRETARY & GENERAL COUNSEL	CHIEF FINANCIAL OFFICER	GROUP PEOPLE & COMMS DIRECTOR

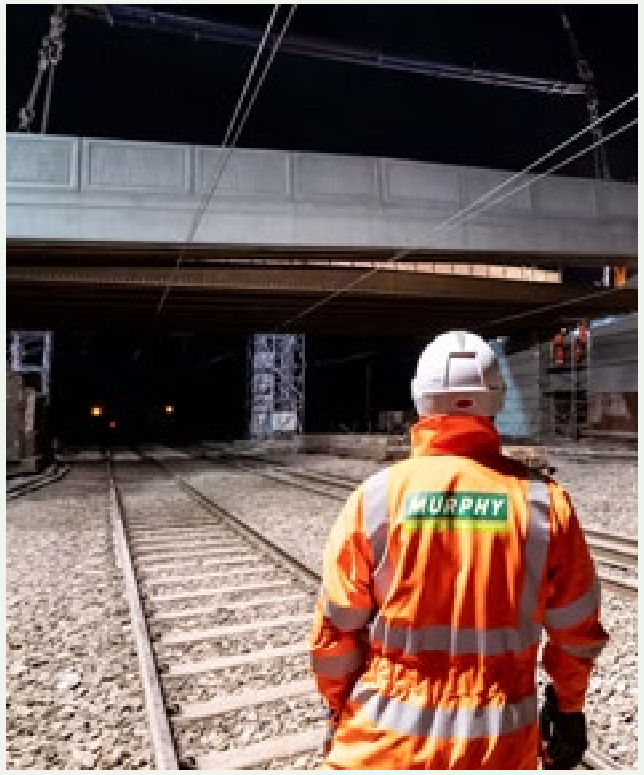
COUNTRY LEADERSHIP

CANADA MD MICK FITZPATRICK	**IRELAND** MD JOHN G MURPHY	**UNITED KINGDOM** MD NICK FLETCHER

BUSINESS SUPPORT

PEOPLE & COMMS	FINANCE & ASSURANCE	COMMERCIAL	ENGINEERING	SHES

IN 2022 WE WILL CONTINUE TO:



- **build a strong platform founded on a culture of operational excellence**
- **develop progressive and diverse teams to achieve our Murphy at 75 targets**
- **deliver an exciting pipeline of opportunities with a strengthening international client base**
- **underpin our performance through our Never Harm safety focus**
- **be key enablers of climate action and social value**

A STRONG AND PROGRESSIVE FAMILY-OWNED BUSINESS

A STATEMENT FROM OUR CHAIR, ALASTAIR KERR

In a year when we have seen the continuing challenge of the pandemic and increasing economic and political turbulence around the world, I am truly proud of the way the whole Murphy team has responded and delivered such a positive set of results.

Our purpose at Murphy is to improve life by delivering world-class infrastructure, and our businesses in Ireland, Canada and the UK have done exactly that throughout 2021 through the delivery of vital projects across the energy, water and transportation sectors. None of this would have been possible without the dedication of our colleagues and the support of our supply chain, and I am grateful to all individuals for their positive contributions.

Protecting our people and our projects during the pandemic has been a priority. We have achieved this by looking for smarter ways of working, and balancing agility with structure and process. Agile working is here to stay, and as an industry we need to embrace this change and maximise the opportunities it enables.

> **"In 2021 we have again significantly strengthened our balance sheet and increased both our annual revenue and profit.**

More change ahead

Conflict rages in Ukraine, inflation is rising, and the global warming challenge is escalating. Now is the time when we must stay true to our values despite the turbulence around us. At Murphy we must continue to robustly focus on our strategy of being a family business with progressive and sustainable policies founded on a strong financial base. Our strategy is clearly defined and working well, but we remain flexible in our approach as the risks and opportunities around us evolve.

Clients, communities and colleagues

Our key client base remains consistent, largely because these collaborative relationships are built on mutual trust and respect. Together we are focusing on improving productivity and value for money, greater teamwork, reducing carbon, and increasing social value for the communities in which we work. I am particularly pleased to see the progress we have made to refresh our employee base: enhancing development programmes for colleagues across the Group, creating opportunities for new entrants to the construction industry, and Murphy colleagues' own time and energy dedicated to reducing our carbon footprint. All this while the business has been enjoying solid growth, or, some may say, because of it. I thank all my colleagues for their ongoing efforts, passion and support.

Careful, considered planning is the foundation of our long-term success

In 2021 we have again significantly strengthened our balance sheet and increased both our annual revenue and profit. The forward order book is in a healthy position, and we have an extensive pipeline of opportunities across all the sectors and countries in which we work.

Our focus as a business is on long-term sustainable and profitable growth, and an important aspect of this is ensuring we have the right governance balance across the business. As a Board we are committed to adopting governance best practice protocols for large private enterprises.

This is no time for complacency though, and targeting safe, 'right first time' delivery of projects remains a clear strategic priority. The opportunities in the pipeline – ranging from HS2 to Lower Thames Crossing and transitional energy projects – will continue to be subject to rigorous selection criteria and governance reviews. Resource availability is an increasingly limiting factor in our industry, and I have been particularly pleased to see the strong engagement scores across all our teams in 2021 which evidences my belief that Murphy is a great place to work.

I am increasingly confident we have the right strategy, leadership team, and family of colleagues to deliver a sustainable, profitable and positive future.

Alastair Kerr
Chairman

DELIVERING STEADY, SUSTAINABLE GROWTH

A REVIEW FROM OUR CEO, JOHN MURPHY

While 2021 was again impacted by the Covid-19 pandemic, we are pleased to have achieved a positive set of results. These results reflect the strengthening resilience across the Group and the benefits of actions we have taken in recent years to improve contract selectivity, enhance relationships with our key client base, and to focus on generating a strong cash position.

Throughout the year we demonstrated our agility by adapting decisively to the continually evolving external environment, and I would like to thank all our colleagues for their dedication and commitment throughout. Murphy prides itself on being a family business and I am extremely grateful for the way in which our teams have united and stepped up in these challenging times.

The Group has continued to make significant strategic and operational progress throughout the year despite the challenges of the pandemic. We have further improved our cash position and again strengthened our balance sheet, supporting the strategic direction and decisions we are taking for the long-term benefit of the business.

Our strategy remains consistent, supporting our vision to be the leading family-owned construction business in the three geographies in which we work when we celebrate our 75th anniversary in 2026. The strategy is founded on our people and social value, collaboratively working with our clients, being safe and sustainable, driving continuous improvement in delivery excellence, and enabling consistently strong financial performance.

Our business model has also remained consistent, with self-delivery at its core. We have continued to strengthen our senior leadership team, and through our Brilliant Basics initiatives we are delivering the fundamentals better: to improve productivity and deliver operational excellence across all our construction activities.

We are increasingly confident about the future and welcome the continued support for construction across the UK, Ireland and Canada, and the recognition of our industry as a key driver for economic stability and recovery.

Safety first

Murphy has continued to operate safely throughout 2021 with our Accident Frequency Rate reducing to 0.04; a good result with more than 21 million hours

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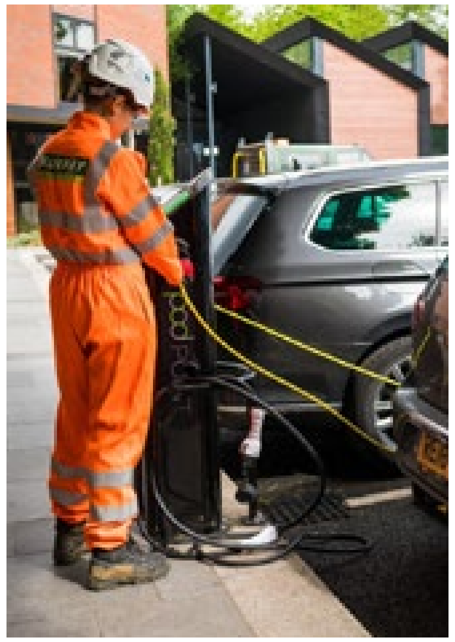
worked on our sites, with no room for complacency and always an eye on further improvements we can make. The safety, health and wellbeing of our colleagues, supply chain, and anybody in contact with our projects, will always be our priority. The commitment of our people, the long-term relationships we have developed with our supply chain partners, and the positive support from the communities in which we work, have again proved invaluable to us.

In 2021, following detailed employee surveys, we are proud to have been ranked as the UK's 20th best big company to work for by Best Companies and 6th in Construction and Engineering. We are looking to further build on this performance in 2022.

A greener, cleaner Murphy community

Current responsible business priorities are focussed around becoming nature net positive and eliminating waste to combat climate change; improving diversity and inclusion across the Group; the health, safety and wellbeing of our colleagues; working more closely with our supply chain and supporting SMEs; and adding value to local communities.

We are continuing to work towards our net zero carbon emissions goal based on the ongoing strategy; reducing fuel use by 30% in 2021, minimising waste by diverting more than 99% from landfill, investing more than £21m in green plant and equipment throughout the year, and developing increasingly low carbon engineering



solutions. We will achieve our aims by continuing to work towards verifiable, science-based targets, and by being clear and transparent about our actions, and committed to the delivery of carbon reduction initiatives that are long-term and sustainable.

Our support for local communities is stronger than ever; we have offered more apprenticeships in

2021 and taken an active role in the UK government's Kickstart Scheme to create jobs for 16-24-year olds and support the long term unemployed.

We have also taken a lead role in the Ministry of Justice's Employment Advisory Board programme within HM Prisons to ensure prison-leavers are job-ready upon release and are offered a second chance.

We launched our Murphy Roots education and tree planting initiative with 50 schools across the UK, given free volunteering days for our colleagues to engage with the communities they work in, and generated charitable donations for many good causes, including the Campaign Against Living Miserably (CALM).

Our financial performance

For the year ended 31 December 2021 our revenue, operating profit and net cash have all grown. Revenue grew 14% to £1,270m based largely on the strengthening relationships with our key clients across the UK, Ireland and Canada. Operating profit improved 66% to £21.7m. Net cash increased by 25% to £216.6m. These figures demonstrate the level of improvement we have been making, and continue to make, in our delivery operations, and the commitment of everybody who works for Murphy.

We continued to win work throughout the year across all sectors in which we work.

At the year end, the Group had a total secured workload of £2.239bn, up 28% from the previous year. Our robust performance in 2021 has been ably supported by our investment strategy and strong asset base, with the valuation of our property portfolio growing by £44m to £147m - although we continue to be aware that property values remain open to both positive and negative future fluctuations.

Being selective to ensure sustainable growth

This statement reflects the result for the year, our strong balance sheet and the Board's confidence in the prospects of the Group. Looking to the future, the Group is set for sustainable growth in 2022 and beyond. The quality of our people, client base and the delivery of our secured workload, together with maintaining discipline in contract selectivity irrespective of economic conditions, remains key to our ongoing success. At the year end, we had a high quality and growing order book, an exciting pipeline of opportunities, and we are well positioned to benefit from UK, Ireland and Canada investment trends, all giving confidence for the years to come.

John Murphy
Chief Executive

OPERATIONAL REVIEW

UNITED KINGDOM OVERVIEW

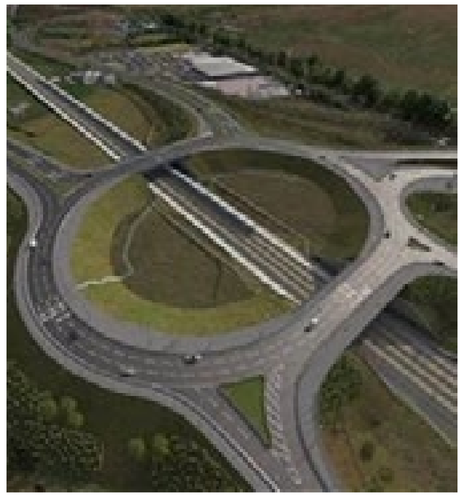
Throughout 2021 our operational delivery business in the UK has continued to focus on driving improvements in our safety and sustainability performance, supporting the physical and mental wellbeing of our people whilst developing their capabilities and competencies, growing collaborative relationships across our client base, and driving improved productivity across all our projects. Founded on consistent project delivery and enabled by our self-delivery model, we have achieved healthy financial performance and have a significant future work bank to look forward to.

East West Rail Earthworks

Client: East West Rail Alliance

Works involve the delivery of 15.6km of substantial earthworks along the main line of the new railway with on-line track and off-line drainage works, including culvert replacements. Two off-line highway embankments have been constructed, at Verney Junction and Salden Wood, and compensating flood storage areas excavated.

In total, we have delivered 180,000m3 of excavation, 220,000m3 of fill, 27,000m of drainage and 1,800m of retaining walls. Our works form part of phase two delivery on the western section of the East West Rail project, from Bicester to Bedford. This stage of the East West Rail project to link Oxford to Bletchley and Milton Keynes aims to provide new train services, shorter journey times, lower transport costs and to reduce the amount of traffic on the roads.



LMJV - HS2 Phase 1 Enabling Works

Client: HS2

The LMJV is a joint venture between Laing O'Rourke and J. Murphy & Sons Limited. Its remit has been to prepare the route for HS2, ready for full construction to commence. LM has an 80km section of HS2's phase one, from Long Itchington Wood near Kenilworth, into Birmingham city centre at Curzon Street, and out again northwards to Lichfield.

Collaboratively working with over 50 Tier 2 contractors, at more than 600 individual work package locations, the works have included demolition of buildings, depots and structures, new bridge structures, road realignments, utility diversions, and a huge programme of environmental mitigation measures. Positive engagement with, and support for, the local communities has been a key focus throughout the delivery of these works.

Transpennine Route Upgrade - East of Leeds (TRUe)

Client: Network Rail

The East of Leeds part of the Transpennine Route between York and Leeds is being delivered by our Murphy team in alliance with Network Rail, VolkerRail and Siemens. The Transpennine Route Upgrade aims to deliver faster, longer, more frequent services with greater reliability across the north of England, from Manchester to York.

Ongoing scope includes track renewals, earthworks, structures renewals, station enhancements and upgrades to signalling, as well as the installation of overhead line equipment to facilitate the running of cleaner, more efficient electric trains.

St Fergus Terminal upgrade

Client: National Grid Gas Transition

St Fergus Terminal is a critical gas import terminal delivering 25-50% of the UK's gas supply. Acting as Principal Contractor and Principal Designer Murphy is responsible for delivering a strategic programme of refurbishment and replacement works to the existing terminal pipework and asset infrastructure, including extensive actuator replacement, corrosion management, remediation, coating, cathodic protection upgrade together with associated civils ducting, EC&I cabling, as well as final commissioning and decommissioning of redundant assets.

Gosport Fuel Terminal

Client: Defence Infrastructure Organisation

Refurbishment of the existing fuel terminal to meet the future requirements of the Royal Navy, including the new Queen Elizabeth Class carriers.

Acting as Principal Designer and Principal Contractor, the project was delivered in three phases. Phase 1: decommissioning and removal of 11 large steel fuel storage tanks and associated pipework and civils infrastructure, and construction of two new fuel storage tanks. Phase 2: construction of a further six fuel storage tanks, including extensive infrastructure pipework and civils, road tanker loading facilities, a site wide fire system including fire water tanks, effluent treatment works, a new administration and control building, site security enhancements, and associated electrical, control and security systems. Phase 3: integration of the phase 1 works into the new phase 2 site systems.

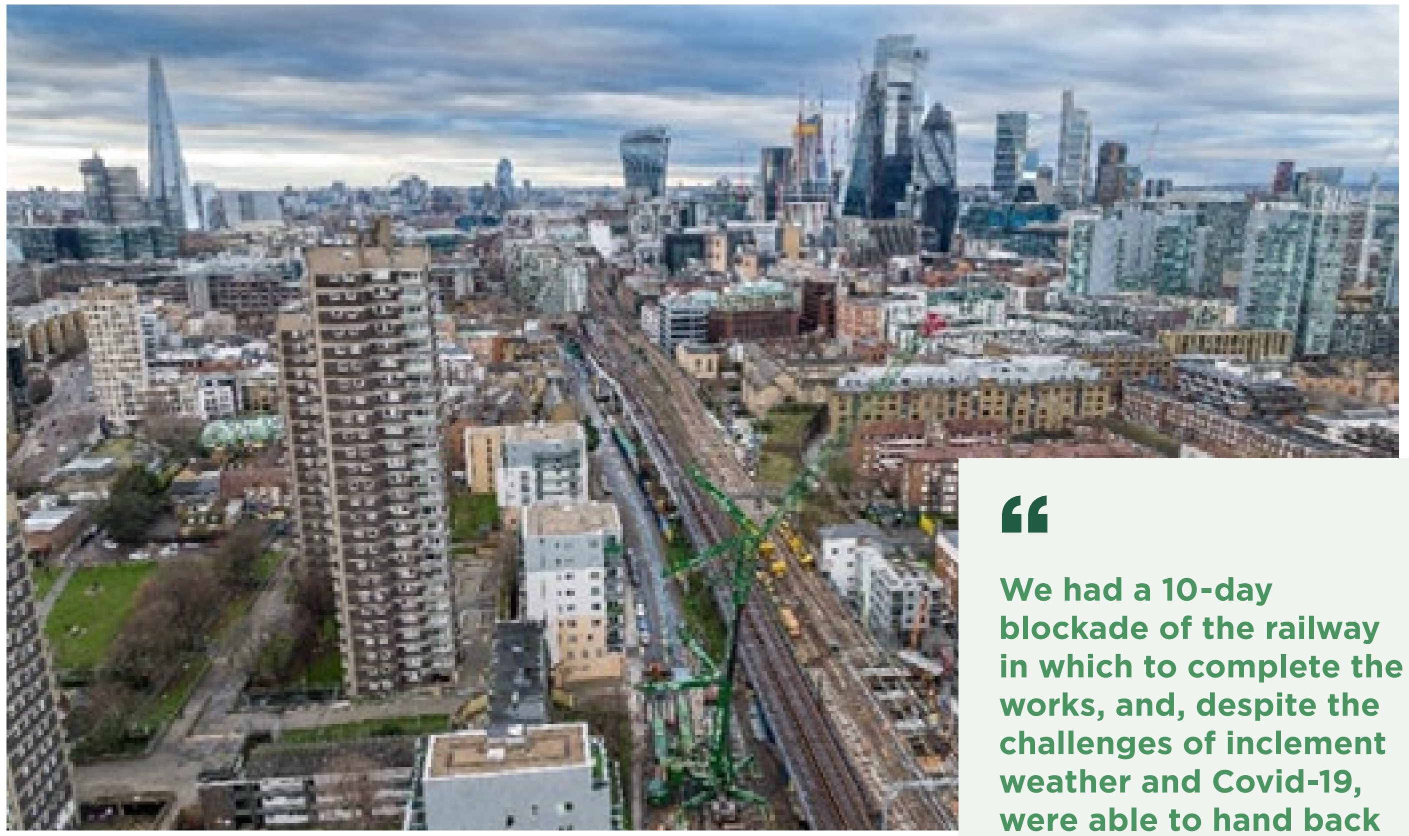
London Power Tunnels 2 P2 – Tunnels and Shafts P5 – Headhouses and M&E works

Client: National Grid

Murphy, working as part of the Hochtief Murphy Joint Venture (HMJV), is delivering two major works packages of National Grid's circa £1bn flagship London Power Tunnels 2 scheme. The scheme aims to replace existing cable infrastructure which is reaching the end of its life. Notably, the scheme is an early adopter of the Project 13 enterprise approach for collaborative delivery.

HMJV's scope as part of the Package 2 works comprises design and construction of approximately 33km of tunnel from Wimbledon to Crayford, and eight shafts, through the full range of the London geology.

HMJV's scope as part of Package 5 comprises design and construction of the operational headhouses as well as associated mechanical/electrical systems. HMJV's involvement in the scheme began in December 2019 and will conclude in 2027.



> We had a 10-day blockade of the railway in which to complete the works, and, despite the challenges of inclement weather and Covid-19, were able to hand back the possession 21 hours ahead of schedule

Bridge replacement works – London
Client: Network Rail

Over Christmas 2021 Murphy delivered a hugely complex programme of works on behalf of our client, Network Rail. Two rail bridges were demolished and replaced at Christian Street and Morris Street in Shadwell, a densely populated area adjacent to the Docklands Light Railway. Our Christian St team made use of 750 tonne and 90 tonne cranes for the lifting, whilst our Morris St team used an 1,150-tonne crane for its works.

We had a 10-day blockade of the railway in which to complete the works, and, despite the challenges of inclement weather and Covid-19, were able to hand back the possession 21 hours ahead of schedule with all works successfully completed. One hundred metres down the line at Fenchurch Street we were concurrently delivering underbridge strengthening works, also successfully handed back early. As these bridges were approaching the end of their lifespan, our works have enabled trains to increase speed and route availability, providing an improved experience to passengers.

In north London, at Neasden, a further bridge replacement project was also completed. This project was complex as the rail bridge spanned multiple railway infrastructure assets, including London Underground tracks, so an integrated and tightly coordinated blockade was required (three days on London Underground, six days on the Network Rail lines). We completed the replacement and handed back 17 hours ahead of schedule with the new bridge having a design lifespan of 120 years.

Erskine Street, Birmingham
Client: Severn Trent Water

Through our Severn Trent Water AMP7 capital delivery framework we are diverting an existing 2,700mm diameter trunk sewer to accommodate HS2. The diversion requires the existing sewer to be intercepted upstream of HS2's proposed route and diverted to avoid its planned new infrastructure.

To mitigate the variable ground conditions, the diversion is being constructed using the largest diameter microtunnel boring machine in the UK. The sheet piles for the cofferdam and cut-off wall adjacent to the railway embankment were installed using a hydraulic press to limit noise and vibration to the adjacent railway, River Rea wall and Birmingham Museum Trust.

The complex scheme harnesses the capability of the wider Murphy business, with our Applied Engineering division supporting on complex temporary works designs, our Transportation team attaining the relevant approvals for working adjacent to the railway, and our Tunnelling team supporting on the construction of the sewer tunnel itself.

UK 2022 OUTLOOK

The outlook for the UK construction market pipeline is bright. The government's 2021 National Infrastructure and Construction Pipeline sets out a plan for £650 billion of investment in various infrastructure projects over the next 10 years. The largest share of investment, £68 billion, has been allocated for the transport sector with energy-related construction projects due to account for more than £50 billion during the same period – a figure likely to rise. Several major infrastructure projects which are in development or on site include HS2, the Lower Thames Crossing, Hinkley Point C and potentially Sizewell C. We intend to maintain our blend of ongoing frameworks and larger projects, with a focus on continuing to collaborate with our existing customers whilst developing strong relationships with a small number of new clients.

OPERATIONAL REVIEW

IRELAND OVERVIEW

Murphy Ireland won several key construction projects in 2021 and progressed the safe and sustainable delivery of existing projects across all sectors. The year out-turn exceeded targets despite Covid-related interruptions at the start of the year. Projects included the final stages of the Stillorgan Reservoir and Lee Road Water Treatment Plant, and the handover of the Ballough AGI Bypass.

Lee Road Water Treatment Plant

Client: Irish Water

Under this design, build and operate contract, Murphy delivered a major upgrade to the Lee Road Water Treatment facility, which accounts for 70% of the water supply to the city of Cork.

The project involved the construction a new 40ML/D water treatment plant alongside the existing plant, upgraded intake works and refurbishment of existing pumping stations, without disrupting the ongoing supply of high-quality drinking water to the city.

Ballough AGI Bypass

Client: Gas Networks Ireland

The Ballough AGI is of critical importance to the natural gas network throughout the whole of Ireland.
The project involves the construction of a new AGI at Baldrumman and associated 900mm and 750mm welded steel pipelines, a tunnel crossing of the M1 motorway, and live hot tap welding that allows the bypass of Ballough AGI if required, thereby reducing its criticality to the gas network and providing much needed resilience.

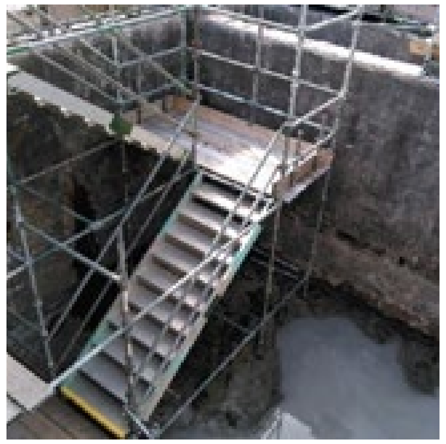
Stillorgan Reservoir

Client: Irish Water

The previous facility at Stillorgan was built in the 19th century and provided drinking water to over 200,000 customers in the Dun Laoghaire-Rathdown and Dublin City region. The modular storage facility comprised three open reservoir cells. This design, build and operate scheme removed the open storage and replaced it with a covered reservoir of 160ML storage capacity. Works included design and construction of an on-site-electrolytic-chlorination (OSEC) plant for secondary disinfection at the site. This will ensure a long-term, secure and sustainable water supply to the region, meeting current and future regulatory requirements. An interesting feature of the project is the roof of the reservoir is now a wildflower meadow providing a much-needed pollinating area for bees.

IRELAND 2022 OUTLOOK

The order book is generally very strong for all Murphy Ireland sectors. Murphy works across several sectors and has several medium to long term contracts which allows us to absorb market and economic fluctuations. Inflation and a rapid rise in demand for construction products and materials has stretched supply chains, and supplier delivery times have lengthened considerably since 2020. Project teams have worked closely with Procurement, Planning and clients to minimise any impact to project delivery.



Blackglen Road Improvement Scheme

Client: Dun Laoghaire-Rathdown County Council

The scheme involves the upgrade of approximately 2.02km of the existing narrow local distributor road to provide a safer route for pedestrians, cyclists and motorists. New footpaths and cycle lanes will be constructed on both verges.

Works include; earthworks and drainage, watermain and foul sewer, new road pavement, upgrading existing signalised junctions, accommodation works for affected landowners including masonry and RC retaining walls, ducting to facilitate existing service diversions, new infrastructure and undergrounding of overhead cables, and public lighting along the extent of the project.

Portloman Water Treatment Plant

Client: Irish Water

The current Portloman Water treatment plant was constructed in 2003 to provide clean drinking water from Lough Owel to the surrounding areas of Mullingar, County Westmeath. Murphy has operated the treatment facility for the past 20 years and we will now continue to operate for another seven years.

The current design, build and operate contract is to provide surety of water supply for the coming years to the surrounding regions. Works include design and construction of new chemical dosing systems, bulk chemical storage tanks, upgrades to the filtration system, mechanical and electrical components, along with updated control and automation systems.

PFIZER stormwater retention tank and infrastructure works Ringaskiddy

Client: Pfizer Ireland Pharmaceuticals Ltd

Works include the construction of a 7000m3 concrete tank (50m x 20m x 7m deep) to provide additional storage capacity to the overall Pfizer Ringaskiddy facility, as well as the construction of a new effluent line to service the RCMF building, and to discharge the runoff from the tanker parking areas.

In addition, the project includes the installation of a new 500mm storm drain to service the western area of the site, and the installation of new electrical ducts.

OPERATIONAL REVIEW

CANADA OVERVIEW

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, which brings together over 100 years of combined pipeline construction heritage, we are safely and sustainably delivering a number of key projects including Coastal GasLink and the Trans Mountain Pipeline Project, that will provide global access to Canadian oil and gas.

Coastal GasLink

We are the construction partner for the delivery of the first 140 kms of the 700 km 48” pipeline transporting gas from the Montney field of Northeast British Columbia, across some of the most challenging mountainous terrain in Canada to the Kitimat LNG facility on the west coast of Canada, with Surerus Murphy successfully completing over 70% of scope to date for our client TC Energy.

Trans Mountain Pipeline

The Trans Mountain Pipeline project is a critical piece of infrastructure that when completed will unlock world access to Canadian oil. 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 180 kms of the total 980 km new pipeline, Surerus Murphy has safely delivered over 50% of its scope through some of the more difficult terrain on the entire route including multiple trenchless crossings which have been some of the largest delivered in North America.

Karr Pipeline Project

The Western Canadian Sedimentary Basin is one of North America’s most prolific natural gas producing basins and is of key importance to the Canadian economy. The expansion of the Nova Gas Transmission System is critical to getting Canadian natural gas to market. As construction partners with TC Energy, we are delivering 57 kms of 48” pipeline in the predominately low-lying wet areas of south Grande Prairie, Alberta. The project is well underway and expected to be commissioned in early 2022.

CANADA 2022 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 our energy transition and how we as a business can support our clients in the delivery of our collective 2050 commitments.

OPERATIONAL REVIEW

PEOPLE OVERVIEW

Our Murphy at 75 People Strategy has a core goal – which is to make us a great place to work where people feel secure and comfortable to be themselves. With more than 3,500 of our colleagues across three countries working collaboratively in the spirit of our One Murphy value, we have made good progress against our strategy during 2021.

Recruitment

During 2021, we successfully recruited 942 new colleagues and inducted them across the group. This included our biggest ever intake of 46 new graduates and 68 apprentices across the UK and Ireland. During the year we also introduced successful and more diverse recruitment channels, including virtual recruitment events, became the first contractor in the sector to engage with the Kickstart scheme in the UK, through which we offered 52 placements.

We also promoted 586 colleagues internally, demonstrating our commitment to personal growth and career progression within the group.

As our business continues to grow, recruiting the right colleagues is becoming more critical than ever, particularly in a business like ours with its unique direct delivery model. In addition, ensuring that we retain colleagues, and that they are happy at work, has been a big focus through our engagement plans.

Engagement

In 2021 we began our journey with Best Companies as part of our aspiration to be the leading family-owned construction business, and to be recognised as one of the Top 100 Companies to Work for. With a response rate to our employee engagement survey of more than 68% in 2021, we were delighted to be accredited as having very

good levels of engagement, to be recognised as one of the Top 20 Best Big Companies to Work For, and one of the Top 10 in Construction and Engineering.

We also undertook more than 30 engagement sessions with our colleagues post the survey results to ensure that our colleagues are part of our continuous improvement journey.

We will be continuing our work on engagement in 2022, and will be tracking progress and trends over time.

Learning and development

2021 saw the evolution of our learning and development strategy, the focus of which is ‘Development for All’. This ensures training and development opportunities are available to colleagues across the group at all levels. As a direct delivery organisation, our investment in the development of our people is critical to successful project delivery, as well as engagement and retention. Some of our core learning and development metrics for 2021 are outlined below. On an annual basis we carry out succession and talent planning across all areas of the Group, ensuring that we identify those with potential, those who are interested in vertical and horizontal career development, to ensure that skillsets are easily identifiable to support our projects, as well as filling key vacancies. In 2021 we introduced talent profiles, which in 2022 is becoming the first port of call for all vacancies within the business.

LEARNING & DEVELOPMENT KEY PERFORMNCE INDICATORS:

- **£1.7m invested in training**
- **18,589 training days***
- **Training attendance of 16,206**
- **7% emerging talent workforce**
- **142 apprentices**
- **85 graduates**
- **9 placements**
- **72 trade apprentices**
- **70 functional apprentices**
- **82% graduate retention**

*from 1st Jan – 31st Dec 2021

During 2021 we also strengthened and grew our key talent/management and operational development programmes. These included continued investment in and growth of the following:

- Future Leaders Programme, aimed at identifying and developing future senior leaders within the business
- Supervisory Development Programme, aimed at our project teams and ensuring consistent, high quality development of our supervisory population
- Offering internal upskilling programmes for current colleagues across all areas of our business
- Technical training offering, ensuring bespoke competence and compliance programmes for site-based roles

In 2022, we will continue to expand our graduate and apprenticeship training programmes as well as our continued investment in all the above.

Diversity and inclusion

Making our business an environment where everyone, regardless of background, can feel secure and comfortable to be themselves, places diversity and inclusion at the heart of our people strategy. As at the end of 2021, our diversity profile

EQUALITY, DIVERSITY AND INCLUSION

- **15.4% women**
- **2.4% with a disability**
- **7.7% non-white ethnic group**

across the business was as follows: Our current diversity profile is reflective of the sector in which we operate and the local communities where we work. We are committed to addressing under representation in our business and as part of our People Strategy, and have committed to having at least 25% of our teams from under-represented groups by 2026 when Murphy turns 75.

Some examples of the work we undertook to increase diversity within our business in 2021 included the following:

- Becoming the lead construction employer on the development and implementation of the Mayor of London's inclusive recruitment toolkit
- Screening all our job advertisements to ensure gender-neutral language
- Commencing a national piece of work in the UK aimed at providing employment opportunities for prison leavers
- Developing and introducing our unique One Murphy BIG Inclusion programme, aimed at bringing to life our commitment to ensuring all colleagues can feel secure and comfortable to be themselves.

Investors in People

Murphy has been accredited as an Investors in People organisation for several years. We have committed to becoming an Investors in People Platinum accredited organisation by 2026, and have made a good step forward towards this in 2021 by

becoming a Silver level organisation.

Future Leaders pass GO!

Murphy is committed to investing in and developing its people, and to filling 50% of roles internally. So, with a view to strengthening our internal talent pipeline, in 2021 we launched our third cohort of carefully selected Murphy colleagues for our Future Leaders Programme.

The demanding nine-month course represents a significant investment for Murphy – financially, and in terms of executive mentoring, to develop some of our most promising talent.

This interactive and challenging programme sees around 18 future leaders interact with the Murphy leadership team and each other, and work with world-class facilitators and guest experts to solve real-life, high-profile business challenges facing Murphy and the construction industry today. 2021 was all about the reduction of carbon across our projects, and the teams will present their findings in mid-2022.

The Future Leaders Programme increases participants' self-awareness, business knowledge, leadership skills, and their understanding of the value of the One Murphy network.

OPERATIONAL REVIEW

SOCIAL VALUE

Leaving a positive legacy in our communities.

Our purpose is to 'improve life by delivering world-class infrastructure', so creating social value is at the heart of our business delivery and our Murphy at 75 strategy.

Aligning with the United Nations Sustainable Development Goals as a global benchmark of our progress, we are focused on creating long term sustainable contribution and change, and a positive legacy in the communities in which we work.

Governance and measurement

Murphy's Group Executive Committee has ultimate accountability for our social value contribution and strategy, which is designed in conjunction with our clients, employees and local communities, and delivered by local action plans in our countries and business units.

We have a Social Value Steering Group in the UK to ensure our projects deliver the maximum social value for the communities in which we work.

We measure our employee engagement to the social value agenda in several ways, including through our annual employee engagement survey. Our latest survey carried out in November 2021, saw our employee engagement measure 'Giving Something Back' increase by more than 3%, taking us into the 'very good' category.

THE 5 SDGS WHERE WE ARE AIMING TO MAKE A DIFFERENCE

SOCIAL VALUE PROGRESS IN 2021

Murphy colleagues giving back

All our colleagues are offered two Giving Back Days a year to undertake community-based social value work. In 2021 employees across all teams, job roles and locations gave back, and we expect the number of Giving Back Days to grow in 2022.

Merseyside Forest Partnership: we supported two community woodlands in Merseyside in 2021 - 34 people volunteered, totalling 156 people hours.

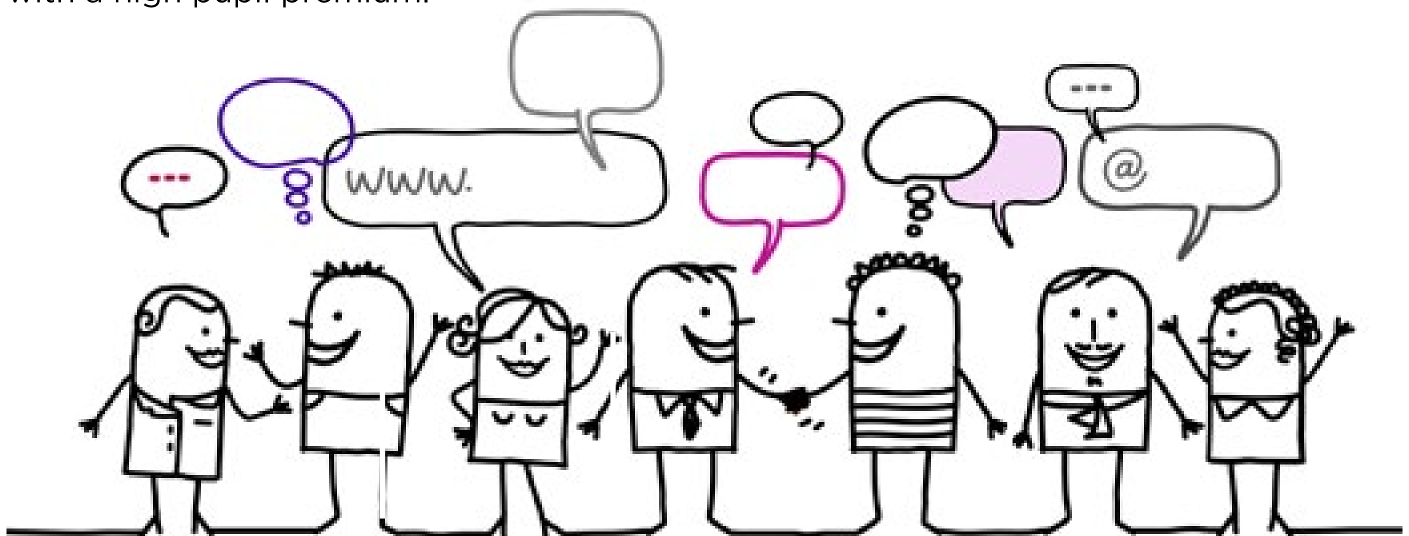
St Fergus, North East Scotland: volunteers from Murphy and National Grid spent two days repairing, improving and cleaning a school for special needs children. A playground, sensory garden and a Rainbow Cottage needed urgent attention.

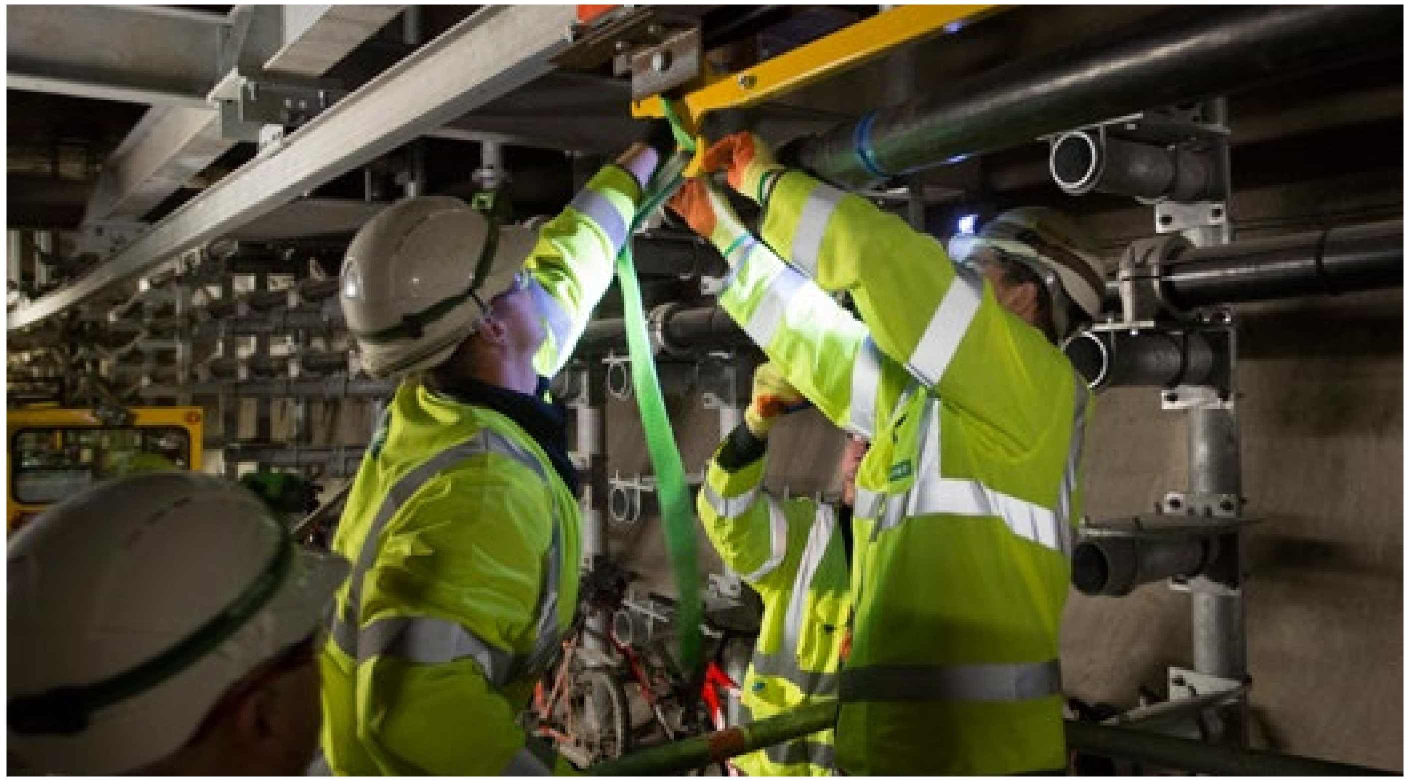
Apprenticeships

In 2021 we welcomed our largest-ever intake of apprentices (68), providing sustainable, long term employment opportunities in our communities, and particularly to underprivileged groups.

Virtual work experience

In 2021 our virtual work experience programme, aimed at encouraging careers in STEM for 14-18-year olds, continued to go from strength to strength. We hosted more than 20 virtual sessions in schools and communities local to our projects, including main schools with a high pupil premium.





Murphy Back to Work programmes

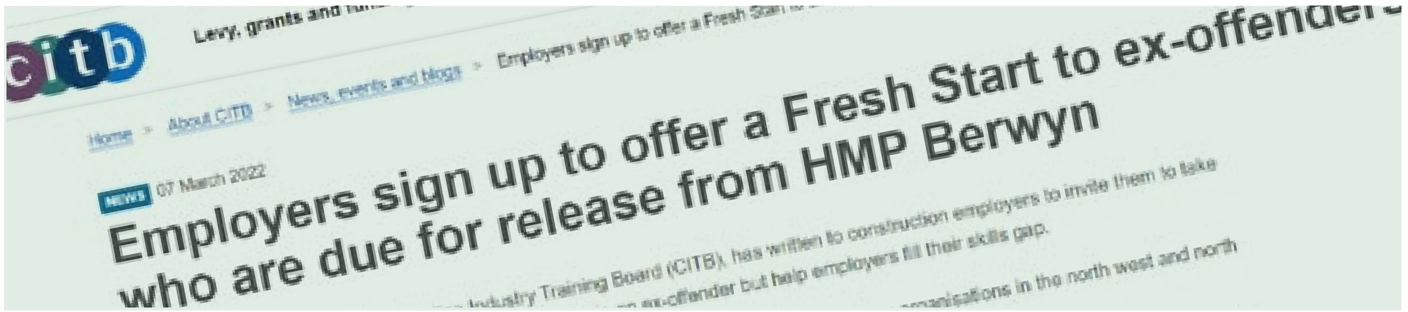
In 2021 Murphy was the first construction company to engage with the UK Government's Kickstart scheme, providing job opportunities for more than 50 long term unemployed young people aged 16-24. We were highlighted by the Department for Work and Pensions (DWP) as an example of best practice.

In 2022, we will be moving forward with our national Sector Based Work Academy in conjunction with the DWP to retrain and upskill people of all ages from the local communities where we work.

Working with prison leavers

2021 saw our CEO, John Murphy, become chair of the first National Prison Advisory Board. Working in conjunction with Her Majesty's Prison Service, Murphy is at the forefront of developing opportunities to change the lives of those with criminal convictions by creating a long term, sustainable training and employment rehabilitation journey. This model is now being rolled out nationally.

Following successful events during the latter half of 2021, Murphy made offers of employment to 14 prison leavers as part of an ongoing programme. This will continue in 2022, as we make the recruitment of prison leavers a core part of our ongoing talent pipeline, with a commitment to recruit in skills shortage areas.



Diversity, equality and inclusion

We are creating a culture where our people, regardless of background, feel secure and comfortable to be themselves. 2021 saw the creation of our One Murphy BIG Inclusion programme which is creating real change when it comes to inclusive behaviours in our business and across the sector. So far six employee cohorts from all levels of the business have started the programme, which continues in 2022.

Social enterprise

Our Social Enterprise Model is also deployed at a local project level. Our UK Charity Committee which in 2021 donated £100,000 to employee-chosen local charities across the UK and Ireland. We fundraise for local foodbanks across the UK and Ireland, and we support CALM (Campaign Against Living Miserably) as our chosen charity throughout the year.

Examples of social enterprise activities in 2021 include our LTP2 Joint Venture Project with Hochtief where we undertook more than 100 volunteering hours each month, we planted more than 400 trees with 15 schools as part of our Murphy Roots programme, and in conjunction with our project on Oxford Street, London, we undertook 187.5 hours in the Befriending scheme, completed 10 senior employee volunteering days, and raised more than £50,000 for charity.

OPERATIONAL REVIEW

CLIMATE ACTION & SAFETY

We recognise that we have a vital role to play in enabling climate action. It is central to our purpose of improving lives by delivering world-class infrastructure and is reinforced by our Never Harm value which incorporates both people and the planet.

In 2021 we achieved all our headline climate actions and safety performance targets

PROTECT THE ENVIRONMENT

2021 TARGETS	
Group lost time injury frequency rate	✓
Total recordable injury frequency rate	✓
Action closure %	✓
Attendance at Cultural Development Program events	✓
Directors safety tours	✓
Net zero – fuel use reduction	✓

Climate action

In 2020 we launched our climate action strategy – 'A greener Murphy' which sets out a clear path to net zero by 2030. While ambitious, we are confident of achieving it: our self-delivery model gives us more influence than our competitors over our carbon footprint .

Our approach is to identify and tackle our main sources of carbon, such as the fuel we burn, while enhancing biodiversity wherever we can. We made progress in 2021: we reduced the amount of fuel we use through electrification of our car and van fleet, we invested in green plant and equipment alternatives such as solar power, we made intelligent use of telematics, and we educated and influenced the behaviours of our plant operators through initiatives such as 'Our 10 Steps to 10%'. Consequently, we reduced fuel consumption by more than 30% in 2021.

We continue to trial the use of alternative fuels such as hydrotreated vegetable oil (HVO) in our heavy plant. We recognise that HVO is a transition fuel until a more suitable form of energy such as hydrogen is developed.

In 2021, we made our commitment to the Science Based Targets initiative. We also aligned our reduction to 1.5°C, and successfully reduced our emissions for the 13th consecutive year – this is a 43% reduction since our journey began in 2009.

OUR 10 STEPS TO 10%

Bug hotel at one of our sites

We also made a commitment to: biodiversity and developing a 'nature positive' business ethos, understanding the impact of construction on nature, and the action needed to help reverse biodiversity loss. We led the development of and contributed to the Buildings and Infrastructure section of the Council for Sustainable Business handbook, supported by DEFRA. We've since transposed targets into our company-wide heatmap metrics, to drive behavioural change and nature positive case studies on our projects.

From reducing our emissions to minimising the waste we send to landfill, by increasing biodiversity and investing in our green fleet to educating the engineers of tomorrow, we have a clear path that will get us to net zero by 2030.

Golborne Wetlands Project

OTHER NOTABLE 2021 HIGHLIGHTS INCLUDE:

- **£21.5m invested in green plant & machinery**
- **Another 10.1% emissions reduction; awarded "Platinum" certification to ISO14064**
- **99% diversion from landfill**
- **Engaged 22 schools on climate action and biodiversity through our 'Murphy Roots' programme**
- **More than 10,000 trees planted**
- **Renewable energy for UK office locations and a plan for 100% renewable by 2025**

THE MURPHY ROOTS PROGRAMME

Encouraging nature in schools, planting trees and educating the next generation on climate change and global biodiversity challenges.

ENERGY AND CARBON REPORTING STATEMENT

- We improved vehicle / Plant efficiency through the purchase of state-of-the-art, environmentally-conscious Plant, equipment and machinery for our projects. We're increasing use of innovative low carbon technologies in our offering, including electric, hybrid and hydrogen-powered equipment, all available through our Murphy Green Guide. We're tracking consumption better so we know where to target our efforts.
- We installed electric vehicle charging points at Murphy locations across the UK, including every office. We increased the number of electric / hybrid vehicles in our fleet to cover all employee grades.
- Alternative fuel transition – we carried out feasibility studies and project trials of renewable, sustainable fuels to remove fossil fuel reliance, mapping out the most efficient way to fuel our fleets and target our single biggest emission source.
- We focused on waste management, which lead to increased recycling and reuse rates, and we continued progress towards our 'zero to landfill' ambition. We increased our contribution to a circular economy through our focus on resource productivity, generating less waste and energy use.
- Project efficiencies: Our project footprints were reduced through better planning. With more electrical connections where feasible, more efficient deployment of employees, and better use of local suppliers and remote access meetings.
- We introduced behavioural change campaigns around fuel efficiency via our '10 steps to 10%'. We operationalised net zero for our projects by incorporating key climate action targets into our monthly SHES heatmaps.
- We improved energy efficiency in company offices and site accommodation through efficient generation, alternative fuels strategies, and by embracing technological advancements.

Energy efficiency actions taken in 2021:

We've committed to achieving net zero emissions by 2030. We are signatories for the Science Based Target Initiative 'Business Ambition to 1.5°C', and have committed to set science-based targets which are in line with a 1.5°C future. We developed a greenhouse gas emissions management plan and associated reduction targets. We aim to be net zero in terms of greenhouse gas emissions by 2030, and net carbon positive by 2050 for all emission sources.

Results*:

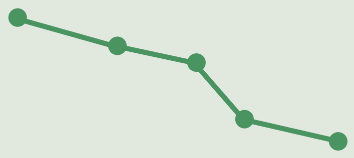
	2020 GHG EMISSIONS			2021 GHG EMISSIONS			
	kWh	tCO2e	tCO2e/£m revenue	**kWh**	**tCO2e**	**tCO2e/£m revenue**	**% change in Emissions Intensity**
Electricity	5,382,305	1,364	1.68	**6,372,226**	**1,474**	**1.70**	**1.29**
Transport Fuel	102,759,879	26,872	33.06	**91,915,316**	**24,052**	**27.73**	**-16.13**
Natural Gas	729,396	134	0.17	**687,771**	**126**	**0.15**	**-11.99**

*Methodology on page 89

Following our latest carbon emissions certification audit for the UK, we've successfully achieved our 'Carbon Reduce' (formerly CEMARS) certification for the last 13 years, with the following 2021 highlights:

- Achieved a verified 30% reduction target one year early (30.04% (2019) reduction vs 2009 baseline), certified by Achilles to ISO14064 through the Carbon Reduce Scheme.
- A further 2020 – 2025 reduction target of 50% (tCO2/£m) has since been set, with progress in 2021 now totalling 23% emissions reduction vs our 2019 baseline.

HEALTH & SAFETY



Over the past five years our accident frequency rate has reduced by 79% and our lost time injury rate by 70%

Our Never Harm value underpins everything we do at Murphy. Coupled with our self-delivery model we drive a different approach to most of our competitors; our safety performance is measured by the presence of positive actions - not by the absence of accidents. This is brought to life via our Simple Actions toolkit which outlines the small favours we can do every day to protect ourselves, our colleagues and the environment.

These Simple Actions are reinforced by Murphy's in-house Cultural Development Programme (CDP) which supports our front-end delivery, and empowers all our colleagues to challenge what was once considered to be the norm.

CDP EVENTS 2021	
Hub Days	129
Leading our Projects Safely	32
Tool Kit Sessions	202
Site Support Visits	374
Pulse Checks	5

HEALTH & SAFETY PERFORMANCE 2021		CHANGE FROM 2020
Accident Frequency Rate	0.04	**-43%**
Lost Time Injury Rate	0.1	**-42%**
High Potential Incident Rate	0.08	**0%**
No. of Mental Health First Aiders	154	**+20%**
Hours worked in 2021	21.6m	**+30%**

During 2021 we enhanced the programme further by developing a clear suite of tools to support our projects from mobilisation to handover. Nearly 3000 people, including representatives from 43 of our supply chain partners, took part in our programme in 2021.

In 2021 we refreshed and simplified our health and safety strategy to focus on four key priorities: Leadership, Supervision, Culture and Standards.

This consolidated and concentrated our improvement activities, and targeted our efforts and resources.

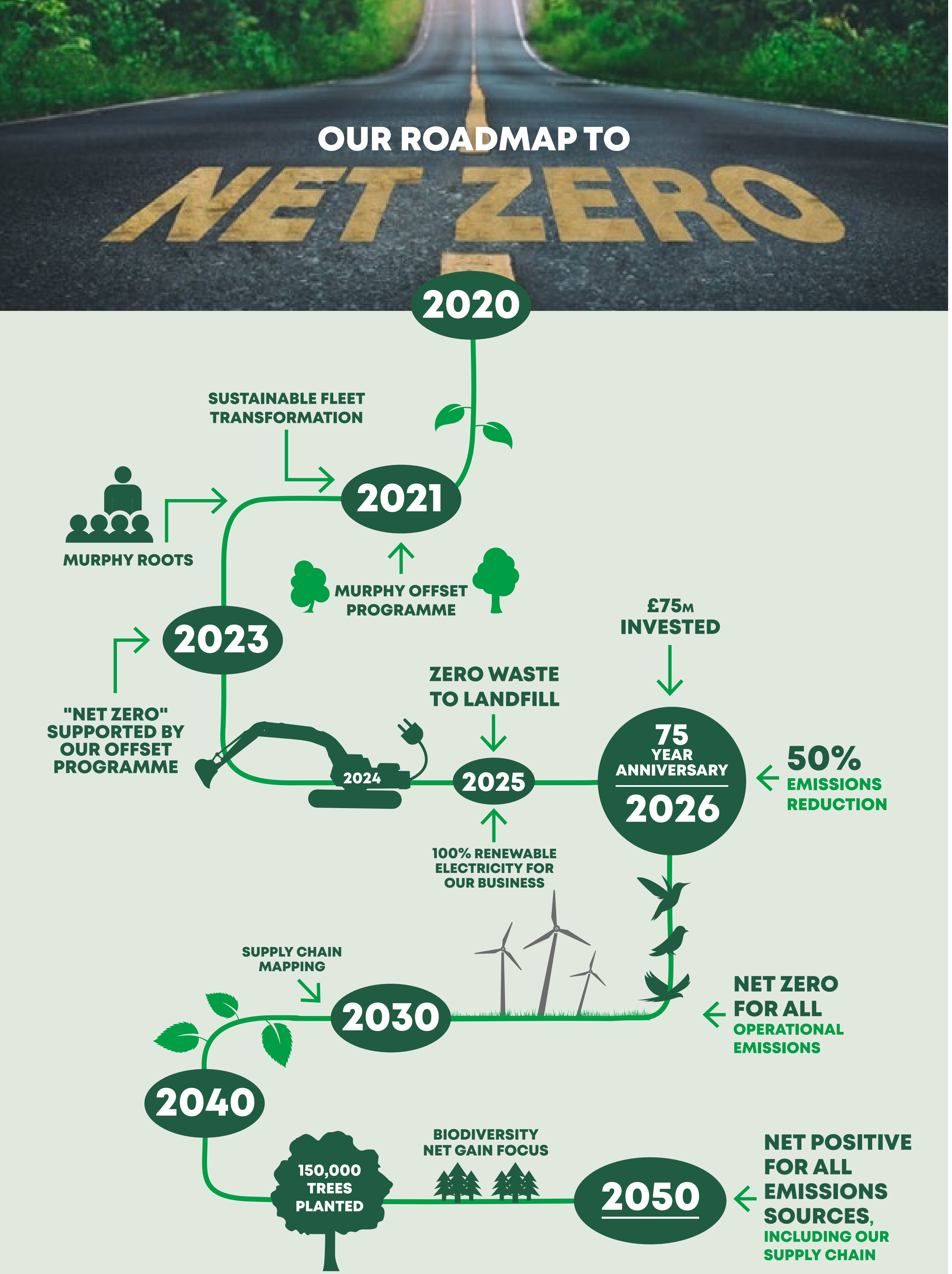
Under the Culture priority, for example, we formed our Severe and Fatal Risk Groups who focus on setting standards and expectations and reviewing our performance against our top risks. These risks include People and Plant interface, contact with electricity, lifting operations, temporary works, and driving.

We also established our Incident Review Panel. This group ensures our investigations get to the root causes of our incidents, and ensure we are embedding the lessons learned, and avoiding repeat mistakes.

Mental health and wellbeing

From a health and wellbeing standpoint our key focus in 2021 was protecting our people and protecting our projects from the impact of the Covid-19 pandemic. In early 2021 we introduced twice weekly testing in all our work locations. These were in addition to our other Covid-19 protocols, which included hygiene, social distancing, remote working and mask wearing, which minimised the impact to our business.

We also increased the number of Murphy mental health first aiders by 20% (to 154), and ran a series of innovative challenges such as the Kaido Challenge, which helped engage with our colleagues, and raise awareness of around the importance of physical and mental health, in a fun and interactive way.


OUR ROADMAP TO
NET ZERO
2020
SUSTAINABLE FLEET TRANSFORMATION
2021
MURPHY ROOTS
MURPHY OFFSET PROGRAMME
2023
"NET ZERO" SUPPORTED BY OUR OFFSET PROGRAMME
2024
ZERO WASTE TO LANDFILL
2025
100% RENEWABLE ELECTRICITY FOR OUR BUSINESS
£75M INVESTED
75 YEAR ANNIVERSARY
2026
50% EMISSIONS REDUCTION
SUPPLY CHAIN MAPPING
2030
NET ZERO FOR ALL OPERATIONAL EMISSIONS
2040
150,000 TREES PLANTED
BIODIVERSITY NET GAIN FOCUS
2050
NET POSITIVE FOR ALL EMISSIONS SOURCES, INCLUDING OUR SUPPLY CHAIN


ULL ELECTRIC 6.26


MURPHY
MURPHY


MURPHY
MURPHY
MURPHY
Zero Emission
MURPHY

STRATEGIC REPORT

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 its 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 important to create a working environment where our colleagues want to work and remain as part of the overall strategy 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 been successful.

Customers

Strong customer relationships are vital to the success of the Group. During 2021 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 its supply chain to ensure the Group can deliver on its projects. During 2021, the Group has 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 significant improvements made during the year.

Environment and Communities

The directors supported the development of Murphy's social value and climate action plans as part of the renewed sustainability policy during the year. The directors expect the key actions in the social value and climate action plans will enhance the 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 28-38.

Business Conduct

The directors consider that the five core values of the business Never Harm, Always Deliver, Continually Improve, One Family One Team One Murphy and Respect, Integrity & Accountability underpin how the business conducts itself with its employees, its customers and its supply chain. During the course of the year the business refreshed its Code of Conduct and provided training on it by way of an e-learning module.

Shareholders

The directors recognise in overseeing the strategy of the business the objective of its sole shareholder is the long term sustainable growth of the business.

STRATEGIC REPORT

A REVIEW FROM OUR CFO, JOE LEDWIDGE

Group Performance

The Group performed well in 2021, making positive strides towards the Murphy at 75 strategic objectives. Improvements were made to all our key performance indicators during the year and the Group finished 2021 with an increased net cash position, improved operating profit and a stronger orderbook.

	2021	2020
Financial key performance indicators	**£'m**	**£'m**
Total Group revenue including Joint Ventures	1,274.4	1,115.9
Net cash balance of the Group	216.6	173.8
Group operating profit	21.7	12.9
Group net assets	248.6	206.7
Company net assets	145.6	133.9
Non-financial key performance indicator	**2021 Score**	**2020 Score**
Heat map scorecard	+6	+6

Turnover

Total Group revenue increased by 14% in 2021 (2020: 27%) to £1.27bn (2020: £1.12bn). This increase was due to an overall increase in activity across the Group, in particular in Canada as well as increased volumes seen in the rail sector.

Operating Profit

Group operating profit was £21.7m (2020: £13m) for the year. The increase in turnover has translated to an increased operating profit at a slightly improved margin. The Group is seeing the benefits of refinements made to the contract selection process as well as improved commercial discipline.

Cash & Cash Management

The Group maintained a strong cash position throughout the year and showed an improved net cash position at year end of £216.6m (2020: £173.8m). While maintaining a healthy cash position, the Group had also put in place a new revolving credit facility with HSBC of £30m, increasing to £50m if certain conditions are met. This allows the Group to ensure that it's working capital needs are met and the Group can deliver it's orderbook.

Group Net Assets

There has been a significant increase in net assets during the year £248.6m (2020: £206.7). This increase is due to a combination of operating profit £21.7m (2020: £13m) and investment property revaluations, net of deferred tax impact, £33.3m (2020: loss of £0.1m). The Group has also been working to ensure adequate provisions are in place against contractual and operational risks.

Tax

The tax charge for the year was £15.5m (2020: £7.3m). The charge has largely arisen on deferred tax on investment properties as well as on timing difference of capital allowances. Current year profits have been offset by capital allowances and losses carried forward from prior years.

STRATEGIC REPORT

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 has identified 10 key Group risks following a review during 2021.

These risks, and the work that is being undertaken to mitigate and manage these risks, are as follows:

RISK DESCRIPTION	2021 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.	The Group's health and safety record has been consistently good. Never Harm is one of the Group's values. There is, however, always a need to monitor and improve on safety performance, and the SHES team has been developing 10 key lenses to assess health and safety performance. These are based at project level, 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. We have focused on mental health and wellbeing for our colleagues as we emerge from the Covid-19 pandemic.
2. WORK WINNING	
An ineffective work winning process will impact the Group's ability to win the right type of work, and to work with the right type of JV partners.	Murphy's gateway process channels opportunities through the right routes, with a defined approval hierarchy, prior to commencing work or tendering for work. Additional processes are being developed for new markets, while greater integration of delivery teams in work winning has been implemented during the year.

RISK DESCRIPTION	2021 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. 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 ensuring we have the right people in the right roles, restructuring where required, and recruiting as required across the organisation. Project controls have been updated, and tools developed to enhance project productivity metrics.
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, budget and to the right quality.	The Group has focused on improving relationships with its supply chain during 2021. The Group has ensured it pays suppliers to terms where possible, and keeps projects informed about lead times and any potential inflationary price changes. Murphy has seen continued improvements to supplier payment days during 2021.
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 to expand its graduate programme. Improvements to the Group's resource planning are being explored, ensuring this is a proactive process and effective plans are in place to deliver key projects.

RISK DESCRIPTION	2021 ACTIVITIES
6. LIQUIDITY	
Without maintaining adequate liquidity, this could impact the Group's ability to invest, win work or meet ongoing liabilities as they become due.	The Group has a net cash position with committed liquidity headroom through its revolving working capital facility with HSBC. In addition, access is maintained to bonding arrangements, and the Group continues to fund plant and equipment renewals using finance leases which it considers to be a more 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.	A Brexit Working Group has continued to operate through 2021 with a focus on issues such as disruption to supply chain and the UK labour market. The Group has also maintained its gold and silver taskforces for Covid-19. These have ensured a sharp focus on emergence from the pandemic, ensuring the Group continues to protect its people and projects.
8 CONDUCT & COMPLIANCE	
Incidents of poor conduct, acts of fraud, bribery, corruption or anticompetitive behaviour can adversely impact the Group's reputation and result in financial loss.	A new e-learning code of conduct was created during the year to be launched in 2022. This will give targeted reminders as well as refresher training on the Murphy code of conduct. A review of internal control effectiveness is ongoing with further development of processes to identify and mitigate risk.

RISK DESCRIPTION	2021 ACTIVITIES
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 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.
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.

This report was approved by the board on 20/05/2022 and signed on its behalf.

John Murphy
Director

GOVERNANCE

Directors and advisers

Directors

Alastair Kerr
John Paul Murphy
John Patrick Murphy
Joseph Ledwidge
David Huw Davies
Deborah Lodge
Clare Mara
James Murphy
Dr Karina Murphy
Kathleen Murphy
Michael Toms

Company secretary

John Patrick Murphy

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Website: **www.murphygroup.com/**

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 'Improving Life by Delivering World-Class Infrastructure' in our core sectors of transportation, water, power, construction and property 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 Family, One Team, One Murphy; 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 the non-executive Chairman, Alastair Kerr. The Board delegates authority for all 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 seven non-executive directors and three executive directors during the year. There were four independent non-executive directors (including the Chairman). 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 were the executive directors who served on the Board during the year.

The Board had eleven meetings in the year. There were four female directors and seven 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 S.172 statement. 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 control and risk management systems, and the management of internal and external audit. The Committee considered specific matters such as the continuing implementation of the new enterprise resource planning system in the business, contract profit and revenue recognition, the scenarios to support a going concern basis for the financial statements and the impact of Covid-19. 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. Opportunity and Risk

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 during the year. There is also an Executive Risk and Opportunity Committee (EROC) chaired by the Company Secretary which met three times during 2021. This maintains a Group Risk and Opportunity register. The EROC regularly reviews the principal risks and opportunities in the business at their 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 2021, 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. Employees were invited to nominate local community groups and charities near to our key offices to receive a donation. With nearly 90 nominations, 30 local groups were successful – from supporting children with special needs to community foodbanks.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the audited financial statements of the Group and Company for the year ended 31 December 2021.

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 £46.2m (2020: £2.2m).

During the year, a dividend of £5.5m was declared and paid in respect of 2021 (2020: £2.5m).

Strategic report

The Directors have chosen, in accordance with S414c of the Companies Act, to disclose information relating to review of the business 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 the Covid-19 pandemic, Brexit and the high levels of inflation seen could have a negative impact on the Groups 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 2022, the Company declared and paid a dividend of £2.5m in respect of 2021.

Subsequent to year end, Murphy Group Canada Limited renewed it's credit agreements as part of the Surerus Murphy joint venture, of which the Group holds a 50% share. The Groups share of the amount available to the joint venture is £11,900,659 (CAD$20,428,671).

Directors

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

Alastair Kerr, Chairman

John Paul Murphy, Chief Executive Officer

John Patrick Murphy

Joseph Ledwidge, Chief Financial Officer (appointed 1 February 2021)

David Huw Davies

Deborah Lodge

Clare Mara

James Murphy

Dr 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 (2020: £0.1m) during the year.

Energy and carbon report

The Energy and Carbon Reporting Statement is presented on page 37.

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. 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 underrepresented 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 part 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, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Going concern

The Group continues to meet its day to day working capital requirements. The Group had £235.3m of cash (of which £228.2m was unrestricted) at the year end. During the year, in March 2021, the Group secured a facility with HSBC Bank plc for a three years. This initially provides £30m which is available for working capital, increasing to £50m providing certain conditions are met. This replaced the working capital facility that was in place with Lloyds Bank group.

The directors have considered what impact the Covid-19 pandemic will have on the Group and prepared cashflow forecasts for the period to December 2023 (the review period), showing a base case, a downside scenario and a 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 2022 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 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 were appointed as the auditor to the Company during the year. At the next General Meeting, it will be proposed that the auditors, RSM UK Audit LLP are re-appointed in accordance with Section 485 of the Companies Act 2006.

This report was approved by the board on 20/05/2022 and signed on its behalf.

J Ledwidge
Director

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 2021 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 2021 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.

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 48-49, 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.

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 the 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.

Signed:

Date:

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

FINANCIAL STATEMENTS

Consolidated Profit and Loss account for the year ended 31 December 2021

	Note	2021 £'000	2020* £'000
Total revenue		**1,274,352**	1,115,923
Less: share of joint ventures' revenue		**(4,406)**	(2,135)
Turnover	3	**1,269,946**	1,113,788
Cost of sales		**(1,188,917)**	(1,041,783)
Gross profit		**81,029**	72,005
Administrative costs		**(66,498)**	(68,896)
Other operating income		**7,148**	9,916
Group operating profit	4	**21,679**	13,025
Surplus / (loss) on revaluation of investment properties	12	**44,358**	(128)
Share of loss in joint venture, post-tax	13	**(1,291)**	(924)
Loss on exchange		**(633)**	(89)
Interest receivable	7	**225**	154
Interest payable	8	**(2,679)**	(2,536)
Profit before taxation		**61,659**	9,502
Tax on profit	9	**(15,466)**	(7,261)
Profit for the financial year	23	**46,193**	2,241
Profit attributable to:			
- Owners of the parent		**46,193**	2,241
		46,193	2,241

**2020 consolidated profit and loss restated. Loss on exchange of £89,000 presented in separate line.*

All amounts relate to continuing operations.

The notes on pages 61 to 91 form part of these financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2021

		2021 £'000	2020 £'000
Profit for the financial year	23	**46,193**	2,241
Other Comprehensive Profit / (Loss):			
Remeasurement loss recognised in pension scheme	21	**2,063**	(6,620)
Movement on tax relating to pension deficit	9	**622**	1,601
Currency translation differences	23	**(1,351)**	796
Other Comprehensive Profit / (Loss) for the year, net of tax		**1,334**	(4,223)
Total Comprehensive Income for the year		**47,527**	(1,982)
Total Comprehensive Income attributable to:			
- Owners of the parent		**47,527**	(1,982)
- Non-controlling interest		**-**	-
		47,527	(1,982)

Company Statement of Comprehensive Income for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Profit / (Loss) for the financial year	23	**14,608**	(24,642)
Other Comprehensive Profit / (Loss):			
Remeasurement Profit / (Loss) recognised in pension scheme	21	**2,063**	(6,620)
Movement on tax relating to pension deficit	9	**622**	1,601
Currency translation differences		**(40)**	-
Other Comprehensive Profit / (Loss) for the year, net of tax		**2,645**	(5,019)
Total Comprehensive Profit / (Loss) for the year		**17,253**	(29,661)
Total Comprehensive Profit / (Loss) attributable to:			
- Owners of the parent		**17,253**	(29,661)
- Non-controlling interest		**-**	-
		17,253	(29,661)

The notes on pages 61 to 91 form part of these financial statements.

Consolidated Balance Sheet as at 31 December 2021

		2021 £'000	2020 £'000
Fixed assets			
Positive goodwill	10	**2,365**	3,023
Negative goodwill	10	**(472)**	(817)
Net goodwill	10	**1,893**	2,206
Intangible assets	11	**6,968**	11,862
Tangible assets	12	**252,617**	203,516
Investments in joint ventures	13	**4,598**	3,234
Total fixed assets		**266,076**	220,818
Current assets			
Stocks	15	**6,345**	7,726
Debtors	16	**180,569**	173,477
Cash at bank and in hand		**235,303**	208,618
Total current assets		**422,217**	389,821
Creditors: amounts falling due within one year	17	**(366,371)**	(356,512)
Net current assets		**55,846**	33,309
Total assets less current liabilities		**321,922**	254,127
Creditors: amounts falling after due more than one year	18	**(34,264)**	(19,525)
Provision for liabilities	19	**(24,503)**	(8,500)
Post-employment benefits	21	**(14,521)**	(19,495)
Net assets		**248,634**	206,607
Capital and reserves			
Called up share capital	22	**2,543**	2,543
Profit and Loss account	23	**246,184**	204,157
Total equity attributable to owners of the parent		**248,727**	206,700
Non-controlling interest		**(93)**	(93)
Total equity		**248,634**	206,607

The financial statements on pages 55 to 91 were approved by the board of directors on 20/05/2022 and were signed on its behalf by:

J Ledwidge
Director

Registered number: 492042

The notes on pages 61 to 91 form part of these financial statements.

Company Balance Sheet as at 31 December 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	11	**6,715**	11,432
Tangible assets	12	**24,661**	23,162
Investments	14	**837**	837
Total fixed assets		**32,213**	35,431
Current assets			
Stocks	15	**2,151**	2,765
Debtors	16	**264,233**	252,522
Cash at bank and in hand		**203,748**	169,934
Total current assets		**470,132**	425,221
Creditors: amounts falling due within one year	17	**(341,406)**	(306,423)
Net current assets		**128,726**	118,798
Total assets less current liabilities		**160,939**	154,229
Creditors: amounts falling after more than one year	18	**(800)**	(869)
Post-employment benefits	21	**(14,521)**	(19,495)
Net assets		**145,618**	133,865
Capital and reserves			
Called up share capital	22	**2,543**	2,543
Profit and Loss account	23	**143,075**	131,322
Total equity		**145,618**	133,865

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 profit for the year of the Company was £14,608,000 (2020: loss of £24,642,000).

The financial statements on pages 55 to 91 were approved by the board of directors on 17/05/2022 and were signed on its behalf by:

J Ledwidge
Director

The notes on pages 61 to 91 form part of these financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2021

	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 2020		2,543	208,639	211,182	(93)	211,089
Profit for the financial year		-	2,241	2,241	-	2,241
Other Comprehensive Loss for the year		-	(4,223)	(4,223)	-	(4,223)
Total Comprehensive Income for the year		**-**	**(1,982)**	**(1,982)**	**-**	**(1,982)**
Dividends	24	-	(2,500)	(2,500)	-	(2,500)
Balance as at 31 December 2020		**2,543**	**204,157**	**206,700**	**(93)**	**206,607**
Balance as at 1 January 2021		2,543	204,157	206,700	(93)	206,607
Profit for the financial year	23	-	46,193	46,193	-	46,193
Other Comprehensive Profit for the year		-	1,334	1,334	-	1,334
Total Comprehensive Income for the year		**-**	**47,527**	**47,527**	**-**	**47,527**
Dividends	24	-	(5,500)	(5,500)	-	(5,500)
Balance as at 31 December 2021		**2,543**	**246,184**	**248,727**	**(93)**	**248,634**

Company Statement of Changes in Equity for the year ended 31 December 2021

	Note	Called up share capital £'000	Profit and Loss account £'000	Total equity £'000
Balance as at 1 January 2020		2,543	163,483	166,026
Loss for the financial year		-	(24,642)	(24,642)
Other Comprehensive Loss for the year		-	(5,019)	(5,019)
Total Comprehensive Loss for the year		-	**(29,661)**	**(29,661)**
Dividends	24	-	(2,500)	(2,500)
Balance as at 31 December 2020		**2,543**	**131,322**	**133,865**
Balance as at 1 January 2021		2,543	131,322	133,865
Profit for the financial year	23	-	14,608	14,608
Other Comprehensive profit for the year		-	2,645	2,645
Total Comprehensive profit for the year			**17,253**	**17,253**
Dividends	24	-	(5,500)	(5,500)
Balance as at 31 December 2021		**2,543**	**143,075**	**145,618**

The notes on pages 61 to 91 form part of these financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2021

	Note	2021 £'000	2020* £'000
Cash generated from operating activities	25	**63,199**	126,099
Taxation received		**3,925**	1,433
Net cash generated from operating activities		**67,124**	127,532
Cash flow (used in) / generated from investing activities			
Purchase of tangible assets		**(7,745)**	(13,479)
Purchase of intangible assets		**(403)**	(501)
Proceeds from disposal of tangible assets		**8,128**	2,585
Acquisition of joint venture		**-**	-
Interest received	7	**225**	154
Net cash used in investing activities		**205**	(11,241)
Cash flow used in financing activities			
Dividends paid	24	**(5,500)**	(2,500)
Interest paid	8	**(2,417)**	(2,265)
New loans		**15,000**	30,000
Repayment of loans		**(39,070)**	(2,108)
Repayment of obligations under finance leases		**(8,025)**	(9,652)
Net cash generated (used in) / generated from financing activities		**(40,012)**	13,475
Net increase in cash and cash equivalents		**27,317**	129,766
Cash acquired		**-**	7,880
Effects of currency translation on cash and cash equivalents		**(633)**	(89)
Cash and cash equivalents at the beginning of the year		**208,618**	71,061
Cash and cash equivalents at the end of the year		**235,302**	208,618
Cash and cash equivalents consist of:			
Cash at bank and in hand		**235,302**	208,618
Cash and cash equivalents		**235,302**	208,618

**2020 consolidated statement of cash flows restated. Loss on exchange of £89,000 presented in separate line.*

The notes on pages 61 to 91 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies General information

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

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

Statement of compliance

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

Summary of significant accounting policies

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

Basis of preparation of financial statements

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

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

Going concern

The Group continues to meet its day to day working capital requirements. The Group had £235.3m of cash (of which £228.2m was unrestricted) at the year end. In March 2021, the Group secured a facility with HSBC Bank plc for a three years. This initially provides £30m which is available for working capital, increasing to £50m providing certain conditions are met. This replaced the working capital facility that was in place with Lloyds Bank group.

Despite having maintained a strong liquidity position, as a precautionary measure, the Group decided in the light of the Covid-19 pandemic to draw down £30m from the Lloyds facility on 14 April 2020 and place the funds on separate deposit. This was repaid in full during March 2021.

The directors have considered what impact the Covid-19 pandemic will have on the Group and prepared cashflow forecasts for the period to December 2022 (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, government assistance on Covid-19 related schemes, 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 2021 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.

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.

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 2021.

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 3 to 5 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.

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.

Stocks

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

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

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

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

Cash and cash equivalents

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

Employee benefits

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

(a) **Defined Benefit pension scheme**

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

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

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

A curtailment is recognised 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". Re-measurements 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.

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 payables**

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

Share capital

Ordinary shares are classified as equity and recorded at the value of consideration received. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.
Preference shares are classified as equity as the holders have no voting rights, there is no fixed maturity and there is no contractual obligation to make any payments. The preference shares are recorded at the value of consideration received.

Revenue recognition

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

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

Where the 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.

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

Foreign currency - Group

The Group financial statements are presented in pounds sterling.

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

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

Related party transactions

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

2 Critical accounting judgements and estimation uncertainty

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

Critical accounting estimates and judgements

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

(a) **Revenue recognition and contract losses**

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

(c) **Defined Benefit pension scheme**

The Group has disclosed in note 21 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 61. 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.

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:

	2021	2020
	£'000	£'000
United Kingdom and Ireland	**961,011**	946,240
Rest of the World	**308,935**	167,548
	1,269,946	1,113,788

4 Group operating profit

	2021	2020
	£'000	**£'000**
This is stated after charging / (crediting):		
Staff costs (Note 5)	**267,760**	266,696
Amortisation of positive goodwill (Note 10)	**468**	484
Amortisation of negative goodwill (Note 10)	**(345)**	(113)
Amortisation of intangible assets (Note 11)	**5,297**	1,862
Depreciation of tangible assets (Note 12)	**22,445**	17,818
Profit on disposal of tangible fixed assets	**(5,249)**	(2,218)
Losses due to benefit changes (Note 21)	**-**	83
Operating lease charges	**5,638**	5,793
Auditors' remuneration		
– audit of Company and Group financial statements	**343**	318
– audit of subsidiaries	**252**	225

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

	2021	2020
Group	£'000	**£'000**
Wages and salaries	**234,543**	198,348
Social security costs	**24,974**	20,825
Other pension costs	**8,243**	7,523
	267,760	226,696
The monthly average number of employees, including directors, during the year was as follows:		
Management	**63**	60
Production	**3,031**	2,830
Administration	**485**	559
	3,579	3,449

Company		
Wages and salaries	**192,460**	163,487
Social security costs	**21,621**	17,878
Other pension costs	**6,635**	6,004
	220,716	187,369
The monthly average number of employees, including directors, during the year was as follows:		
Management	**46**	47
Production	**2,576**	2,475
Administration	**360**	391
	2,982	2,913

6 Directors' remuneration

Directors' remuneration	2021 £'000	2020 £'000
Aggregate remuneration	2,312	1,465
Money purchase pension contributions	133	38
Benefits in kind	7	7
	2,452	1,510

Highest paid director	2021 £'000	2020 £'000
Aggregate remuneration	1,212	853
Other pension cost	71	-
	1,283	853

There are four (2020: 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:

	2021 £'000	2020 £'000
Salaries and other short-term benefits	4,831	4,606
Post-employment benefits	283	235
	5,114	4,841

7 Interest receivable

	2021 £'000	2020 £'000
Bank and other interest receivable	225	154
	225	154

8 Interest payable

	2021 £'000	2020 £'000
Net Defined Benefit pension interest expense (Note 21)	262	271
Bank and other interest payable	933	1,093
Interest on finance leases	1,484	1,172
	2,679	2,536

9 Tax on profit

Tax credit included in the Consolidated profit and loss account

	2021 £'000	2020 £'000
Current tax:		
UK corporation tax at 19% (2020: 19%)		
- current year	(1,139)	(1,063)
- adjustments in respect of previous periods	738	1,002
Total current tax	(401)	(61)
Deferred tax:		
Accelerated capital allowances and other timing differences	12,826	4,839
Changes in tax laws and rates	5,268	795
Adjustments in respect of previous periods	(2,227)	1,688
Total deferred tax	15,867	7,322
Tax credit on loss	15,466	7,261

Tax charge included in the Consolidated Statement of Comprehensive Income

Current tax:		
UK corporation tax	(603)	(312)
Deferred tax:		
Origination and reversal of timing differences	(19)	(1,289)
Total tax charge included in the Consolidated statement of comprehensive income	(622)	(1,601)

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £'000	2020 £'000
Profit before taxation	61,659	9,502
Share of loss in joint venture, post taxation	1,291	924
Profit before taxation excluding share of loss in joint venture	62,950	10,426
Profit before taxation excluding share of loss in joint venture multiplied by standard rate in the UK of 19% (2020: 19%)	11,961	1,981
Effects of:		
Expenses not deductible for tax purposes	443	-
Income not taxable	(296)	90
Changes in tax rates	5,268	(30)
Indexation of revalued properties	(643)	795
Deferred tax not recognised	(67)	727
Adjustments in respect of previous periods	(2,514)	2,690
Effects of group relief	781	-
Difference in rate of tax overseas	533	1,008
Tax (charge) / credit for the year	15,466	7,261

Deferred tax assets of £445,000 (2020: £2,068,000) have not been recognised.

Factors affecting future tax charges

In the spring budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). This new law was substantively enacted on 17 March 2020 and its effect is included in these financial statements where applicable.

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

	Negative Goodwill	Positive Goodwill	Total
Cost	£'000	£'000	£'000
At 1 January 2021	(1,137)	4,903	**3,766**
Cost	-	-	**-**
Exchange difference	-	(325)	**(325)**
Year ended 31 December 2021	**(1,137)**	**4,578**	**3,441**
Amortisation			
At 1 January 2021	(320)	1,880	1,560
Charge / (credit) for the year	(345)	468	123
Exchange difference	-	(135)	(135)
At 31 December 2021	**(665)**	**2,213**	**1,548**
Net book value			
At 31 December 2021	**(472)**	**2,365**	**1,893**
At 31 December 2020	(817)	3,023	2,206

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.

11 Intangible assets

	Assets under development	Other intangible assets	Software Development	Total
Group	£'000	£'000	£'000	£'000
Cost				
At 1 January 2021	143	888	14,421	15,452
Additions	-	-	403	403
Disposals	-	-	-	-
Transfers	(85)	-	85	-
Year ended 31 December 2021	**58**	**888**	**14,909**	**15,855**
Amortisation				
At 1 January 2021	-	516	3,074	3,590
Charge for the year	-	178	5,119	5,297
At 31 December 2021	**-**	**694**	**8,193**	**8,887**
Net book value				
At 31 December 2021	**58**	**194**	**6,716**	**6,968**
At 31 December 2020	143	372	11,347	11,862

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

During the year the Group changed the period over which some of it's software development is amortised. This change was to reduce the useful life from 10 to 5 years. The impact on the current year charge was an increase of £3,034,000. The amortisation will increase by £1,277,000 for 2023 and 2024.

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

Assets under development comprise amounts capitalised in respect of patents for technology under development and will be amortised over the expected useful life when the underlying technology is brought into use.

Company	Assets under development £'000	Software Development £'000	Total £'000
Cost			
At 1 January 2021	85	14,421	14,506
Additions	-	402	402
Disposals	-	-	-
Transfers	(85)	85	-
Year ended 31 December 2021	**-**	**14,908**	**14,908**
Amortisation			
At 1 January 2021	-	3,074	3,074
Charge for the year	-	5,119	5,119
At 31 December 2021	**-**	**8,193**	**8,193**
Net book value			
At 31 December 2021	**-**	**6,715**	**6,715**
At 31 December 2020	85	11,347	11,432

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

During the year the Group changed the period over which some of it's software development in use is amortised. This change was to reduce the useful life from 10 to 5 years. The impact on the current year charge was an increase of £3,034,000. The amortisation will increase by £1,277,000 for 2023 and 2024.

Assets under development comprise amounts capitalised during development of software and will be amortised over its expected useful life when the asset is brought into use.

12 Tangible assets

Group	Investment properties £'000	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Computer and other equipment £'000	Assets under development £'000	Total £'000
Cost / Valuation							
At 1 January 2021	102,865	29,967	113,351	33,775	7,025	278	287,261
Additions	-	2,063	21,490	6,444	1,247	-	31,244
Disposals	-	-	(8,018)	(6,259)	(2)	-	(14,279)
Revaluation	44,358	-	-	-	-	-	44,358
Transfers	-	-	278	-	-	(278)	-
Exchange difference	-	(469)	(703)	(228)	(108)	-	(1,508)
At 31 December 2021	**147,223**	**31,561**	**126,398**	**33,732**	**8,162**	**-**	**347,076**
Depreciation							
At 1 January 2021	-	5,072	55,280	17,730	5,663	-	83,745
Charge for the year	-	1,269	15,621	4,684	871	-	22,445
Disposals	-	-	(5,077)	(5,914)	(2)	-	(10,993)
Transfers	-	-	-	-	-	-	-
Exchange difference	-	(77)	(434)	(115)	(112)	-	(738)
At 31 December 2021	**-**	**6,264**	**65,390**	**16,385**	**6,420**	**-**	**94,459**
Net book value							
At 31 December 2021	**147,223**	**25,297**	**61,008**	**17,347**	**1,742**	**-**	**252,617**
At 31 December 2020	102,865	24,895	58,071	16,045	1,362	278	203,516

The historical cost of investment properties is £26,494,000 (2020: £26,494,000).

The 2021 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	
	2021	2020	**2021**	2020
Yield	**3.41% - 8.58%**	4.59 % - 10.46%	**5.25% - 7.00%**	4.45 % - 8.28 %
Voids / letting periods	**6 months – 12 months**	6 months – 12 months	**6 months – 12 months**	6 months to 12 months
Market rents	**£3.75 - £7 per sq. ft**	£3 - £9.25 per sq. ft	**£0.45 - £6 per sq. ft**	£0.50 - £5.50 per sq. ft

The net carrying amount of assets held under finance leases included in plant and machinery and motor vehicles is £47,066,000 (2020: £39,295,000).

Company	Investment properties £'000	Land and buildings £'000	Plant and machinery £'000	Computer and other equipment £'000	Assets under development £'000	Total £'000
Cost / Valuation						
At 1 January 2021	575	22,857	5,599	4,558	-	33,589
Additions	-	1,971	662	891	-	3,524
Disposals	-	-	(12)	-	-	(12)
Revaluation	260	-	-	-	-	260
Transfer	-	-	-	-	-	-
At 31 December 2021	**835**	**24,828**	**6,249**	**5,449**	-	**37,361**
Depreciation						
At 1 January 2021	-	3,900	2,832	3,695	-	10,427
Charge for the year	-	1,158	535	592	-	2,285
Disposals	-	-	(12)	-	-	(12)
At 31 December 2021	**-**	**5,058**	**3,355**	**4,287**	-	**12,700**
Net book value						
At 31 December 2021	**835**	**19,770**	**2,894**	**1,162**	-	**24,661**
At 31 December 2020	575	18,957	2,767	863	-	23,162

The historical cost of investment properties is £399,000 (2020: £399,000).

The 2021 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	
	2021	2020
Yield	**5.25%**	7.20%
Voids / letting periods	**None**	None
Market rents	**£3.75 per sq. foot**	£3.40 per sq. foot

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

The net carrying amount of assets held under finance leases included in plant and machinery is £1,988,000 (2020: £1,758,000).

13 Investments in joint ventures

Group	£'000
Share of net assets at 1 January 2021	3,234
Increase in investments in joint ventures*	2,650
Decrease in investments in joint ventures	-
Share of losses for the period, post-tax	(1,291)
Exchange difference	5
Share of net assets at 31 December 2021	**4,598**

*During 2021, SGN and JMS, partners of Murphy Asset Services Limited group ("MASL") subscribed additional shares in MASL for a subscription price of £2,65m 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%

*During 2021 2229153 Alberta Limited changed its name to Surerus Murphy Ltd.

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	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Turnover	**4,231**	839	**175**	40
Operating (loss) / profit	**(78)**	114	**(1,213)**	(957)
Interest payable	**-**	-	**-**	-
(Loss) / profit before taxation	**(78)**	114	**(1,213)**	(957)
Tax on (loss) / profit	**-**	-	**-**	-
(Loss) / profit for the period	**(78)**	114	**(1,213)**	(957)

	Murphy GMC	
	2021	2020
	£'000	£'000
Turnover	**-**	290
Operating profit / (loss)	**-**	52
Interest receivable / (payable)	**-**	-
Profit / (loss) before taxation	**-**	52
Tax on profit / (loss)	**-**	-
Profit / (loss) for the period	**-**	52

There was no Turnover or profit / loss from Optimise (Water) LLP in either the current or preceding financial year.

14 Investments

	Investment in subsidiaries
Company	£'000
Cost and net book value	
At 1 January 2021 and 31 December 2021	**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 Australia Pty Limited	100%	Australia	Dormant company	15 Green Square Close, Brisbane QLD 4006
Land and Marine Engineering Limited	100%	England	Engineering	Hiview House, Highgate Road, London, NW5 1TN
McCann Drilling Limited	80%	Northern Ireland	Dormant company	26 Crossmaglen Road, Newry, BT35 9UB
Murphy Environmental Systems Limited	100%	England	Dormant company	Hiview House, Highgate Road, London, NW5 1TN
Murphy Investments (Holdings) Limited	100%	England	Holding company	Hiview House, Highgate Road, London, NW5 1TN
Murphy Pipelines Limited	100%	England	Construction	Hiview House, Highgate Road, London, NW5 1TN
Murphy Plant Limited	100%	England	Plant hiring	Hiview House, Highgate Road, London, NW5 1TN
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 (previously Pipeline Testing 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

**During 2021 Murphy Rail Projects Limited has changed its name to Murphy Group Investments Limited.*

The Company has the following indirectly wholly owned subsidiary companies:

	Percentage of ordinary shares	Country of incorporation	Activities	Registered address
Dalston Lane Terrace Management Limited	Limited by guarantee	England	Real estate	Hiview House, Highgate Road, London, NW5 1TN
Delancey Commercial Limited	100%	England	Real estate	Hiview House, Highgate Road, London, NW5 1TN
Delancey Residential Limited	100%	England	Real estate	Hiview House, Highgate Road, London, NW5 1TN
Earth Tech Holdings Limited	100%	Republic of Ireland	Holding company	Great Connell, Newbridge , Co Kildare
Jones Environmental Limited	100%	Republic of Ireland	Holding company	Great Connell, Newbridge , Co Kildare
Jones Environmental UK Limited	100%	Republic of Ireland	Dormant	Great Connell, Newbridge , Co Kildare
Murphy 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

**During 2021 Murphy Eltel JV Limited changed its name to Murphy OHL Limited*

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

The Company has the following indirectly owned joint ventures:

	Percentage of interest	Country of incorporation	Activities	Registered address
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

*During 2021 2229153 Alberta Limited changed its name to Surerus Murphy Ltd.

15 Stocks

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Raw materials and consumables	**2,502**	1,977	**1,482**	1,316
Property for resale	**3,138**	4,263	**-**	-
Property for development	**705**	1,486	**669**	1,449
	6,345	7,726	**2,151**	2,765

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

16 Debtors

	Group		Company	
	2021	2020	**2021**	2020*
	£'000	£'000	**£'000**	£'000
Amount falling due within one year				
Trade debtors	**26,299**	21,241	**14,877**	15,264
Retentions	**51,436**	33,382	**16,367**	13,165
Amounts owed by group undertakings	**-**	-	**160,953**	134,409
Amounts owed by parent company	**4,511**	3,758	**4,396**	3,551
Amounts owed by related parties	**7,067**	10,181	**3,299**	5,959
Amounts recoverable on contracts	**82,775**	97,339	**49,004**	68,907
Deferred tax asset (Note 19)	**70**	-	**9,056**	6,673
Other debtors	**4,373**	3,096	**3,389**	2,390
Prepayments and accrued income	**4,038**	4,480	**2,892**	2,204
Total debtors	**180,569**	173,477	**264,233**	252,522

Trade debtors for the Group are stated after provision for impairment of £748,691 (2020: £543,589).

Included in amounts owed by related parties is £3,082,000 (2020: £4,600,000) due from Folgate Estates Limited, £1,087,000 (2020: £545,000) due from HMJV Limited, £1,945,000 (2020: £3,189,000) due from Surerus Pipeline Inc and £953,000 (2020: £2,907,000) due from other related parties.

**2020 Debtors and Creditors restated. The entity is party to a group VAT registration (see note 26). VAT amounts previously presented in the subsidiaries as other taxations have been reclassified to amounts due/owed to group undertakings as J Murphy & Sons, as the parent company reports the lability under the terms of the group VAT registration.*

17 Creditors: amounts falling due within one year

	Group		Company	
	2021	2020	**2021**	2020*
	£'000	£'000	**£'000**	£'000
Short term loans	**3,748**	34,843	**-**	30,000
Trade creditors	**32,862**	26,250	**15,006**	15,739
Amounts owed to group undertakings	**-**	-	**99,555**	54,823
Amounts owed to related parties	**-**	-	**187**	-
Finance leases (Note 18)	**17,153**	17,818	**796**	830
Corporation tax	**1,536**	-	**525**	-
Other taxation and social security	**27,655**	30,097	**29,063**	33,026
Other creditors	**1,601**	1,301	**1,587**	1,422
Payments received on account and amounts accrued on contracts	**57,996**	77,550	**41,099**	51,003
Accruals and deferred income	**223,820**	168,653	**153,588**	119,580
	366,371	356,512	**341,406**	306,423

Included in accruals and deferred income are £5,006,000 (2020: £11,260,000) 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 £3.7m (CAD 6.4m) drawdown from the equipment loan, being the group's share of the balance drawn on the non-revolving equipment facility by Surerus Murphy, a 50% joint venture in Canada. The equipment loan bears interests 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: 2022: £2,444,000, 2023: £1,229,000, 2024: £35,000. See note 26.

**2020 Debtors and Creditors restated. The entity is party to a group VAT registration (see note 26). VAT amounts previously presented in the subsidiaries as other taxations have been reclassified to amounts due/owed to group undertakings as J Murphy & Sons, as the parent company reports the lability under the terms of the group VAT registration.*

18 Creditors: amounts falling due after more than one year

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Long term loans	**15,000**	-	**-**	-
Finance leases	**19,264**	19,525	**800**	869
	34,264	19,525	**800**	869

Finance leases
The future minimum finance lease payments are as follows:

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Not later than one year	**17,954**	18,538	**822**	857
Later than one year and not later than five years	**20,624**	20,926	**847**	917
Total gross payments	**38,578**	39,464	**1,669**	1,774
Less: finance charges	**(2,161)**	(2,121)	**(74)**	(74)
Carrying amount of liability	**36,417**	37,343	**1,595**	1,700

Long term loans relate to the working capital facility that is held with HSBC Bank plc. Amounts drawn down under this facility are repayable on 31 March 2024. Murphy Investments (Holdings) Limited, Murphy Investments (Morson Road) Limited and Murphy Investments (Mammoth) Limited are obligors for this facility and investment properties held within these Companies are used as security for this facility.

The Group and Company have entered into finance hire purchase leasing arrangements for plant, equipment and vehicles. The average term of the finance leases entered into is 4 years with a mixture of fixed and variable interest rates. These finance leases are secured against the plant and equipment that the lease was used to purchase (see note 12).

19 Provision for liabilities

Group	£'000
Deferred tax (liability) / asset	
At 1 January 2021	(8,500)
Deferred tax (charged) in Consolidated profit and loss account	(18,076)
Adjustments in respect of previous years	2,227
Exchange differences	(84)
At 31 December 2021	**(24,433)**
Deferred tax asset (Note 16)	70
Deferred tax liability	(24,503)
Total net deferred tax liability	**(24,433)**

Group	2021 £'000	2020 £'000
Tax effect of timing differences because of:		
Fixed assets timing differences	**(23,997)**	(11,104)
Short term timing differences	**(7,717)**	(5,263)
Losses	**3,303**	4,110
Deferred tax excluding that relating to pension deficit	**(28,411)**	(12,257)
Deferred tax relating to pension deficit	**3,978**	3,757
Total net deferred tax liability	**(24,433)**	(8,500)

Company	£'000
Deferred tax asset	
At 1 January 2021	**6,673**
Deferred tax credited in profit and loss account	2,152
Adjustments in respect of previous years	231
At 31 December 2021	**9,056**

Company	2021 £'000	2020 £'000
Tax effect of timing differences because of:		
Fixed assets timing differences	**1,210**	657
Short term timing differences	**585**	1,004
Losses	**3,303**	1,255
Deferred tax excluding that relating to pension deficit	**5,098**	2,916
Deferred tax relating to pension deficit	**3,958**	3,757
Total net deferred tax asset	**9,056**	6,673

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

20 Financial assets and liabilities

Group

The Group has the following financial assets:

	Note	2021 £'000	2020 £'000
Financial assets that are debt instruments measured at amortised cost:			
- Trade debtors	16	**26,299**	21,241
- Retentions		**51,436**	33,382
- Amounts owed by parent company	16	**4,511**	3,758
- Amounts owed by related parties	16	**7,067**	10,181
- Amount recoverable on contracts	16	**82,775**	97,339
- Other debtors	16	**4,374**	3,096
		176,462	168,997

Notes to the financial statements for the year ended 31 December 2021

The Group has the following financial liabilities:

	Note	2021 £'000	2020 £'000
Financial liabilities measured at amortised cost:			
- Trade creditors	17	**32,862**	26,250
- Short term loans	17	**3,748**	34,843
- Other creditors	17	**1,601**	1,301
- Payments received on account and amounts accrued on contracts	17	**57,996**	77,550
- Accruals and deferred income	17	**223,820**	168,653
		320,027	308,597

Company

The Company has the following financial assets:

	Note	2021 £'000	2020 £'000
Financial assets that are debt instruments measured at amortised cost:			
- Trade debtors	16	**14,877**	15,264
- Retentions		**16,367**	13,165
- Amounts owed by group undertakings	16	**160,953**	134,409
- Amounts owed by parent company	16	**4,396**	3,551
- Amounts owed by related party	16	**3,299**	4,875
- Amounts recoverable on contracts	16	**49,004**	68,907
- Other debtors	16	**3,389**	2,389
		252,285	242,560

Company

The Company has the following financial liabilities:

	Note	2021 £'000	2020 £'000
Financial liabilities measured at amortised cost:			
- Trade creditors	17	**15,006**	15,739
- Short term loans	17	**-**	30,000
- Amounts owed to group undertakings	17	**99,555**	54,823
- Amount owed to related party		**187**	-
- Other creditors	17	**1,587**	1,422
- Payments received on account and amounts accrued on contracts	17	**41,099**	51,003
- Accruals and deferred income	17	**153,588**	119,580
		311,022	272,567

Notes to the financial statements for the year ended 31 December 2021

21 Post-employment benefits

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

	2021 £'000	2020 £'000
Defined Contribution schemes	**7,402**	7,514

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 £7,402,000 (2020: £7,514,000). Contributions totalling £1,213,000 (2020: £1,194,000) were payable after the year end and are included in creditors.

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 2021 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 £15,201,000. The company is in discussions with the trustees to agree a new deficit recovery plan. The current plan sees the company making payments in respect of the deficit of £3,000,000 per annum on 31 May 2022, 31 May 2023 and 31 May 2024. In addition and in accordance with the actuarial valuation, the company has agreed with the trustees that it will meet the expenses of the scheme and levies to the Pension Protection Fund.

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

	2021	2020	2019
Retail Price Index	**3.50%**	3.00%	3.00%
Rate of discount	**1.80%**	1.40%	2.00%
Allowance for pension in payment increases of RPI or 5% pa if less	**3.50%**	2.90%	2.90%
Allowance for revaluation rate for deferred pensions of CPI or 5% if less	**2.60%**	2.60%	2.30%
Allowance for commutation of pension requirement	**50%**	50%	50%

The mortality assumptions adopted at 31 December 2021 imply the following life expectancies.

	2021	2020
Male retiring at age 65	**21.8**	21.8
Female retiring at age 65	**23.7**	23.7
Male retiring at age 65 in 20 years	**23.1**	23.1
Female retiring at age 65 in 20 years	**25.3**	25.2

Notes to the financial statements for the year ended 31 December 2021

Defined Benefit liability

The assets in the scheme were:

	Value at 31 December 2021 £'000	Value at 31 December 2020 £'000	Value at 31 December 2019 £'000
Cash and other assets	**122**	60	193
Buy-in policies	**39,610**	42,106	40,142
Diversified growth and Liability Driven Investments	**40,858**	42,567	38,092
Total market value of assets	**80,590**	84,733	78,427
Present value of scheme liabilities	**(95,111)**	(104,228)	(92,946)
Pension liability	**(14,521)**	(19,495)	(14,519)

Reconciliation of scheme assets and liabilities

	Assets £'000	Liabilities £'000	Total 2021 £'000	Total 2020 £'000
At 1 January	**84,733**	**(104,228)**	**(19,495)**	(14,519)
Expenses	**-**	**-**	**-**	(2)
Losses due to benefit changes	**-**	**-**	**-**	(83)
Interest income	**1,145**	**-**	**1,145**	1,550
Interest expenses	**-**	**(1,397)**	**(1,397)**	(1,821)
Remeasurement gains / (losses)	**623**	**1,440**	**2,063**	(6,620)
Employer contributions	**3,163**	**-**	**3,163**	2,000
Settlements	**-**	**-**	**-**	-
Benefits paid	**(9,074)**	**9,074**	**-**	-
At 31 December	**80,590**	**(95,111)**	**(14,521)**	(19,495)

Total expense recognised in the Consolidated profit and loss account

	2021 £'000	2020 £'000
Analysis of amounts (charged) / credited to profit and loss are as follows:		
Expenses	**-**	(2)
Losses due to benefit changes	**-**	(83)
Gains arising on settlements	**-**	-
Interest income	**1,145**	1,550
Interest expense	**(1,407)**	(1,821)
Net expense	**(262)**	(356)

The Group expects to contribute £3,000,000 to its Defined Benefit pension scheme in 2022 (2021: £2,500,000).

Remeasurement loss recognised in the Consolidated Statement of Comprehensive Income

	2021 £'000	2020 £'000
Gain on pension scheme assets	**623**	6,653
Experience losses arising on the plan benefit scheme liabilities	**566**	403
Changes in assumptions underlying present value of the plan benefit scheme liabilities	**874**	(13,676)
Remeasurement loss recognised in the Consolidated statement of Comprehensive Income	**2,063**	(6,620)

The cumulative amount of remeasurement gains and losses recognised in the Consolidated statement of comprehensive income was a loss of £44,761,000 (2020 loss of £46,824,000).

22 Called up share capital

	2021 £'000	2020 £'000
Allotted, called up and fully paid		
300,000 (2020: 300,000) Ordinary shares of £1 each	**300**	300
1,950,000 (2020: 1,950,000) 1% Non-cumulative preference shares of £1 each	**1,950**	1,950
487,500 (2020: 487,500) 1% Non-cumulative second preference shares of 10 pence each	**49**	49
2,437,500 (2020: 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

23 Reserves

	Group	Company
	Profit and loss account	Profit and loss account
	£'000	£'000
At 1 January 2021	204,157	131,322
Profit / (loss) for the financial year	46,193	14,608
Remeasurement loss on pension scheme	2,063	2,063
Movement on deferred tax relating to remeasurement gain on pension scheme	622	622
Dividends paid	(5,500)	(5,500)
Currency translation difference	(1,351)	(40)
At 31 December 2021	**246,184**	**143,075**

Notes to the financial statements for the year ended 31 December 2021

24 Dividends

	Group		Company	
	2021	2020	2021	2020
Equity – ordinary	£'000	£'000	£'000	£'000
Dividend paid	**5,500**	2,500	**5,500**	2,500
Dividend received	**-**	-	**42,000**	-

£5,500,000 of dividends were declared and paid during the year (2020: £2,500,000).

25 Cash generated from / (used in) operating activities

	2021 £'000	2020* £'000
Profit for the financial year	**46,193**	2,241
Adjustments for:		
Tax on profit	**15,466**	7,261
Net interest payable	**2,454**	2,382
Profit (Loss) on exchange - Unrealised	**633**	89
Surplus on revaluation of investment properties	**(44,358)**	128
Share of loss of joint venture, post tax	**1,291**	924
Profit on sale of subsidiary undertaking	**-**	-
Group operating profit	**21,679**	13,025
Depreciation of tangible fixed assets	**22,445**	17,819
Amortisation of intangible fixed assets	**5,297**	1,862
Amortisation of goodwill	**468**	484
Amortisation of negative goodwill	**(345)**	(113)
Profit on disposal of tangible fixed assets	**(5,249)**	(2,218)
Post-employment benefits cash contributions	**(3,172)**	(2,000)
Exchange differences on translation of foreign operations	**(1,199)**	100
Working capital movements:		
Decrease in stocks	**1,381**	3,214
(Increase) / Decrease in trade debtors and other receivables	**(8,409)**	41,495
Increase in trade creditors and other payables	**30,303**	52,431
Cash generated from operating activities	**63,199**	126,099

**2020 consolidated statement of cash flows restated. Loss on exchange of £89,000 presented in separate line.*

Balance of cash at bank includes restricted cash of £7,120,000 (2020: £1,750,000) (see note 26) as well as restricted cash of £34,400,000 (2020: £35,900,000) relating to joint operations.

26 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 who provide 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 £147,223,000 (2020: £103,117,000).

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 £17,588,000 (CAD30,192,000), comprising a revolving credit facility of £11,650,000 (CAD20,000,000) which was undrawn at 31 December 2021 and a non-revolving equipment loan facility of £5,937,000 (CAD10,192,000) which was partly drawn at 31 December 2021 (see Note 17).

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 (2020: £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.

The Company has placed £5,000,000 (2020: £nil) in a separate bank account with Barclays Bank plc. This account is controlled by Barclays Bank plc and therefore use of these funds is restricted. This account was set up during the year to cover a procurement card facility and improve the benefit of this facility for the Company.

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 subsidiaries registered in UK are party to a group VAT registration headed by the company's parent undertaking, J Murphy & Sons Limited, and are jointly and severally liable for the VAT due by the representative member which totalled £12,651,982 as at 31 December 2021 (2020: £19,737,381).

The Company has issued letters of support to certain wholly owned subsidiary companies, to ensure they are able to meet their liabilities as they fall due, for a period of twelve months from the date each subsidiary approves its 31 December 2021 financial statements.

The Company is providing certain wholly owned UK subsidiaries with guarantees of their respective debts as disclosed in note 30.

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

27 Capital commitments

	2021	2020
At 31 December the Group had capital commitments as follows:	**£'000**	£'000
Tangible assets contracted for but not provided	**18,206**	523

Notes to the financial statements for the year ended 31 December 2021

28 Operating lease commitments

Operating lease agreements where the Group is a lessee

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

	2021	2020
Group	**£'000**	£'000
Within one year	**5,620**	4,688
Between two and five years	**16,354**	12,217
After more than five years	**4,088**	5,626
	26,062	22,531

	2021	2020
Company	**£'000**	£'000
Within one year	**2,961**	2,786
Between two and five years	**11,692**	9,532
After more than five years	**3,826**	5,433
	18,479	17,751

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:

	2021	2020
Group	**£'000**	£'000
Within one year	**3,100**	5,543
Between two and five years	**6,776**	7,593
After more than five years	**24,366**	25,720
	34,242	38,856

There were no contingent rents recognised by the Group as revenue during the year (2020: £nil)

	2021	2020
Company	**£'000**	£'000
Within one year	**756**	1,112
Between two and five years	**704**	514
After more than five years	**201**	241
	1,661	1,867

There were no contingent rents recognised by the Company as revenue during the year (2020: £nil)

29 Related party transactions

Group

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

Joint operation name	Share	2021 Turnover £'000	2020 Turnover £'000
Advance Plus	50.00%	**45,409**	13,365
Agility	50.00%	**72,930**	67,465
AMK	33.33%	**-**	45
HMJV	50.00%	**55,034**	24,850
LMJV	50.00%	**89,409**	157,189
Murphy Carey JV	50.00%	**5,367**	1,530
Surerus Murphy	50.00%	**308,936**	162,693
Total		**577,085**	427,137

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 2021 and 31 December 2020 are shown in notes 16 and 17.

During the year, rents of £2,271,000 (2020: £2,265,000) were charged to the Group in respect of property owned by Folgate. Property development work of £3,908,000 (2020: £2,297,000) was carried out on the Folgate properties and invoiced by the Group to Folgate. Management charges of £754,000 (2020: £636,000) were charged to Folgate. Charges for other services provided to Folgate totalled £nil (2020: £43,000). In addition, the Group utilised £3,082,000 (2020: £3,496,000) 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 (2020: £81,000) by Ballyfarm Limited, a related party via a director. At 31 December 2021 £nil (2020: £nil) was owed to Ballyfarm Limited by the Group.

During the year, the Group was charged annual rent of £189,000 (2020: £195,000) by two former directors, including one current member of key management, for an office complex. At 31 December 2021 £nil (2020: £nil) was owed to the former directors 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.

30 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 2021:

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

31 Consolidated analysis of changes in net debt

	Notes	1 January 2021 £'000	Cashflow £'000	New finance leases £'000	**31 December 2021 £'000**
Cash at bank and in hand		208,618	26,685	-	235,303
Short term loans					
Bank Loans	17	(34,843)	31,095	-	(3,748)
Debt due within 1 year		**(34,843)**	**31,095**	**-**	**(3,748)**
Bank loans	18	-	(15,000)	-	(15,000)
Debt due after 1 year		**-**	**(15,000)**	**-**	**(15,000)**
Obligations under finance leases	17 & 18	(37,343)	8,025	(7,099)	(36,417)
Total		**136,432**	**50,805**	**(7,099)**	**180,138**

32 Subsequent events

In March 2022, the Company declared a dividend of £2.5m in respect of 2021.

Subsequent to year end, Murphy Group Canada Limited renewed it's credit agreements as part of the Surerus Murphy joint venture, of which the Group holds a 50% share. The Groups share of the amount available to the joint venture is £11,900,659 (CAD$20,428,671).

33 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 2021. 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 2021. The consolidated financial statements of Drilton Limited are available from Hiview House, Highgate Road, London NW5 1TN

Methodologies

Carbon emissions table on page 37:

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. 2020 and 2021 data disclosed is externally verified and accepted as part of ISO certification by Achillies Assessment Services.

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