Registered number: 00986181

Murphy Plant Limited

Strategic Report, Directors' Report and

Financial Statements For The Year Ended

31 December 2020

Murphy Plant Limited

Contents

Murphy Plant Limited

Directors and advisors

Directors	John Murphy Joseph Ledwidge Michael Carpenter
Company secretary	J P Murphy
Registered number	00986181
Registered office	Hiview House Highgate Road London NW5 1TN United Kingdom
Independent auditors	RSM UK Audit LLP Marlborough House Victoria Road South Chelmsford Essex CM1 1LN

Strategic report
For the year ended 31 December 2020

The directors present their Strategic report on the Company for the year ended 31 December 2020.

Principal activity

The principal activity of the Company during the year was the hire of construction plant, machinery and equipment to group companies and third party customers in the United Kingdom.

Review of the business

The key financial highlights are as follows:

	2020	2019
	£	£
Turnover	**75,651,248**	68,056,693
Profit before tax	**6,921,867**	10,054,392
Net assets	**24,396,113**	18,270,878

Results

The profit for the year after taxation amounted to £6,125,235 (2019: £11,184,393).The increase in turnover was largely driven by additional cross-hire from which a greatly reduced margin is earned. The Company had an increased cost base in 2020 due to additional safety requirements in light of the Covid-19 pandemic. This increased the investment in new PPE, part of this was charged on to the Company's immediate parent, J Murphy & Sons Limited and to other group undertakings.

The increase in receivables on the balance sheet from related group undertakings reflects an increase in activity across those entities which drives an increased demand for plant hire. The increase in tangible assets shows the Company's commitment to continue to invest in plant and machinery.

Future developments and outlook

The Company is making progress against its long term growth strategy, to maintain and improve turnover and net assets with sustainable long term growth. As part of that platform for growth, the Company will continue to invest in new plant, machinery and equipment to support the Murphy Group's UK operations using a mix of cash generated from profits and finance leases which it considers to be an effective use of capital. The impact of the coronavirus (Covid-19) on the public health and economy of the UK continues to develop and to date has not has a material negative impact on the Company's operations. The Board will monitor the impact on the Company and take this into account when making investment decisions.

Principal risks and uncertainties

Principal business risks are managed through the Company's operating structure, and operating and commercial reviews held with senior management. This process is under ongoing review and improvement, under the oversight of the J. Murphy & Sons Limited Group audit committee. The Company's clients are primarily Group companies and therefore the directors believe that there is no material credit risk. Impairment risk is closely monitored through the review of utilisation of assets made available by the Company.

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 taken into account when reviewing the annual business plan.

The directors note that the long term success of the wider Murphy Group business since its incorporation 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.

The directors have agreed Company objectives relating to the health and safety heatmap score of the Company. The heat map scorecard is a balanced scorecard of health and safety measures with a range from -6 to +6 and a target of +4 or above. The aim is to benchmark performance and encourage a balanced approach to behaviours and focus in key areas. This, and other objectives are reviewed at every board meeting to monitor the performance of the business against core value of the Murphy Group.

The directors consider it is important to create a working environment where employees 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. The focus on employee retention has had a positive impact and improved employee retention. We regularly communicate with our people via a number of channels including team briefings and town halls.

The directors supported the adoption of the Social Responsibility and Sustainability Policy by the Murphy Group during the year. The directors consider the Waste to Wealth strategy undertaken by the business to be important in the impact it will have on communities and environment in which the Company operates.

This report was approved by the board on 10th August 2021 and signed on its behalf.

J Ledwidge
Director

Directors' report
For the year ended 31 December 2020

The directors present their report and the audited financial statements for the year ended 31 December 2020.

Dividends

The directors do not recommend the payment of dividend (2019: £Nil).

Directors

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

David Burke	(resigned 23 September 2020)
John Murphy	
Joseph Ledwidge	(appointed 1 February 2021)
Michael Carpenter	

Financial risk management

The Company manages its financial risks, primarily cashflow, through J. Murphy and Sons Group banking facilities. The Company has no bank debt at year end, and continues to use finance leases to fund plant and equipment renewals which it considers to be a more effective use of capital than outright cash purchase.

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.

Going concern

The Company's directors believe that preparing the financial statements on a going concern basis is appropriate due to the continued financial support of the parent undertaking J. Murphy & Sons Limited. The company is reporting net current liabilities of £8.0m as at 31 December 2020 (2019 : £8.6m), but J. Murphy & Sons Limited has confirmed its ongoing financial support in writing for a period of at least twelve months from the date of approval of the financial statements which the directors believe to be sufficient to ensure the company can meet its liabilities as they fall due.

The directors have considered what impact the Covid-19 pandemic will have on the Group headed by J. Murphy & Sons Limited 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. 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.

Based on the confirmation of support received from J. Murphy & Sons Limited, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of these financial statements. For this reason, they continue to adopt the going concern basis in the preparation of the financial statements.

Directors' report (continued)
For the year ended 31 December 2020

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Matters of strategic importance

An indication of the likely future developments of the Company are provided in the Strategic report of Murphy Plant Limited's immediate parent company, J Murphy & Sons Limited.

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 Company'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 for the auditors, RSM UK Audit LLP be re-appointed in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 10th August 2021 and signed on its behalf.

J Ledwidge
Director

Independent auditors' report to the members of Murphy Plant Limited

Opinion

We have audited the financial statements of Murphy Plant Limited (the 'company') for the year ended 31 December 2020 which comprise the profit and loss account, balance sheet, statement of changes in equity 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 company's affairs as at 31 December and of its 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 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 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Independent auditors' report to the members of Murphy Plant Limited (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; and
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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 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 audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is 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 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

We have not identified any significant indirect laws and regulations critical to the company's operations.

The audit engagement team identified the risk of management override of controls as the area 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.

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.

RSM UK AUDIT LLP

NICHOLAS CATTINI (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Marlborough House
Victoria Road South
Chelmsford
Essex
CM1 1LN
Date : 11 August 2021

Profit and loss account
For the year ended 31 December 2020

	Note	2020 £	2019 £
Turnover	5	**75,651,248**	68,056,693
Cost of sales		**(68,046,760)**	(56,338,120)
Gross profit		**7,604,488**	11,718,873
Profit on sale of fixed assets	6	**1,961,542**	615,979
Administrative costs		**(1,631,522)**	(1,349,426)
Operating profit	6	**7,934,508**	10,985,126
Interest payable and similar expenses	10	**(1,012,641)**	(930,734)
Profit before taxation		**6,921,867**	10,054,392
Tax (charge) / credit on profit	11	**(796,632)**	1,130,001
Profit for the financial year		**6,125,235**	11,184,393

All amounts above relate to continuing operations.

The Company has no recognised gains and losses other than those included in the result above, and therefore no separate Statement of comprehensive income has been presented.

The notes on pages 12 to 21 form part of these financial statements.

Murphy Plant Limited

Registered number: 00986181

Balance sheet
As at 31 December 2020

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Tangible assets	12		**49,037,596**		43,657,737
			49,037,596		43,657,737
Current assets					
Stocks	13	**94,615**		138,715	
Debtors	14	**28,577,180**		12,007,767	
		28,671,795		12,146,482	
Creditors: amounts falling due within one year	15	**(36,645,723)**		(20,739,957)	
Net current liabilities			**(7,973,928)**		(8,593,475)
Creditors: amounts falling due after more than one year	16		**(16,667,555)**		(16,793,384)
Net assets			**24,396,113**		18,270,878
Capital and reserves					
Called up share capital	18		**100**		100
Retained earnings			**24,396,013**		18,270,778
Total shareholders' funds			**24,396,113**		18,270,878

The financial statements on pages 9 to 21 were approved and authorised for issue by the board and were signed on its behalf on 10th August 2021 by:

J Ledwidge
Director

The notes on pages 12 to 21 form part of these financial statements.

Murphy Plant Limited

Statement of changes in equity
For the year ended 31 December 2020

	Called up share capital	Retained earnings	Total shareholders' funds
	£	£	£
Balance as at 1 January 2020	100	18,270,778	18,270,878
Profit for the financial year	-	6,125,235	6,125,235
Balance as at 31 December 2020	**100**	**24,396,013**	**24,396,113**

Statement of changes in equity
For the year ended 31 December 2019

Balance as at 1 January 2019	100	7,086,385	7,086,485
Profit for the financial year	-	11,184,393	11,184,393
Balance as at 31 December 2019	**100**	**18,270,778**	**18,270,878**

The notes on pages 12 to 21 form part of these financial statements.

1. General information

Murphy Plant Limited (the "Company") undertakes the hire of construction plant, machinery and equipment to group companies and third parties.

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

2. Statement of compliance

The financial statements of Murphy Plant 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.

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

3.1 Basis of preparation of financial statements

The financial statements are prepared in pounds sterling, rounded to the nearest whole pound, which is the functional currency of the Company and are presented to the nearest pound.

The financial statements have been prepared on the going concern basis under the historical cost convention.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 4).

3.2 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions under the reduced disclosure regime, subject to certain conditions, which have been complied with by the Company.

The company has taken advantage of the following exemptions:

- Under FRS 102 paragraph 1.12(b) from preparing a statement of cash flows;
- From disclosing the company key management personnel compensation, as required by FRS102 paragraph 33.7; and
- From disclosing related party transactions that are wholly owned within the same group under paragraph 33.1A of FRS 102

The financial statements of the Company are consolidated in the financial statements of J Murphy & Sons Limited. The consolidated financial statements of J Murphy & Sons Limited are available from its registered office, Hiview House, Highgate Road, London, NW5 1TN.

3.3 Going Concern

The Company's directors believe that preparing the financial statements on a going concern basis is appropriate due to the continued financial support of the parent undertaking J. Murphy & Sons Limited. The company is reporting net current liabilities of £8.0m as at 31 December 2020 (2019 : £8.6m), but J. Murphy & Sons Limited has confirmed its ongoing financial support in writing for a period of at least twelve months from the date of approval of the financial statements which the directors believe to be sufficient to ensure the company can meet its liabilities as they fall due.

3. Accounting policies (continued)

3.3 Going Concern (continued)

The directors have considered what impact the Covid-19 pandemic will have on the Group headed by J. Murphy & Sons Limited 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. 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.

Based on the confirmation of support received from J. Murphy & Sons Limited, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of these financial statements. For this reason, they continue to adopt the going concern basis in the preparation of the financial statements.

3.4 Tangible assets and depreciation

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

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

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

Plant and machinery	7-33%
Motor vehicles	14-20%

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that 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.

3.5 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 company 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 profit and loss account.

(b) Trade creditors and other payables
Trade creditors and other payables with no stated interest rate are recognised 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 profit and loss account.

3. Accounting policies (continued)

3.6 Revenue recognition

Revenue is recognised by the company on an accruals basis when services are rendered in relation to the hire of construction plant, machinery and equipment during the year, exclusive of Value Added Tax.

3.7 Stocks

Raw materials and consumables are items held for use on rental assets. Raw materials and consumables cost is the purchase price and is determined using the first in, first out (FIFO) method. Stock items are recognised as an expense in the period in which they are consumed.

At the end of each reporting period stock is assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the 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 profit and loss account.

3.8 Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the 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.

(a) Current tax

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

(b) Deferred tax

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

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

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

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.

Current or deferred taxation assets and liabilities are not discounted.

3. Accounting policies (continued)

3.9 Finance leases

The Company 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 Company'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.

3.10 Operating leases

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

3.11 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.

3.12 Related party transactions

The company 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 financial statements.

4. Critical accounting judgements and estimation uncertainty

In the preparation of the 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 Company.

The Company 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) Carrying value of trade debtors and other receivables

The Company makes an estimate of the recoverable value of trade debtors and other receivables (see note 14). When assessing impairment of trade debtors and other receivables, management considers factors including the current credit rating of the client, the ageing profile of the trade debtor and historical experience. Allowance for doubtful debt provisions against billed debtors and other receivables are made on a specific basis, based on estimates of irrecoverability determined by market knowledge and past experience.

4. Critical accounting judgements and estimation uncertainty (continued)

(b) Plant, machinery and motor vehicles

Plant, machinery and motor vehicles included within tangible assets have a significant carrying value (see note 12). Plant and machinery is depreciated on a straight-line basis to a residual value. The useful lives of tangible assets are reviewed regularly in light of technological change, prospective utilization and the physical conditions of the assets.

The carrying values of plant, machinery and motor vehicles are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Any changes in carrying values are recognised in the profit and loss account.

(c) 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.

5. Turnover

All turnover relates to the Company's principal activity, the hire of plant, machinery and equipment and is stated net of VAT. All turnover arose within the United Kingdom.

6. Operating profit

The operating profit is stated after charging / (crediting):

	2020	2019
	£	£
Depreciation of tangible assets	**11,191,261**	9,901,366
Profit on disposal of tangible fixed assets	**(1,961,542)**	(615,979)
Staff related costs (note 8)	**9,137,917**	12,443,511
Operating lease charges	**2,239,825**	2,296,243

7. Audit fees

Auditors' remuneration of £39,600 (2019: £45,000) was borne by another group company, J. Murphy & Sons Limited. There were no non-audit fees paid to the auditors (2019: £nil).

8. Staff related costs

The company did not directly employ any staff in 2020 or 2019. There is a charge from J. Murphy & Sons Limited, a related party, in relation to the time spent by employees of J. Murphy & Sons Limited on the operations, management and administration matters for Murphy Plant Limited, totaling £9,137,917 (2019 - £12,443,511).

9. Directors' remuneration

There was no remuneration paid to the directors by the company during the year (2019 - £Nil). There were also no retirement benefits accruing to the directors (2019 - £Nil).

10. Interest payable and similar expenses

	2020 £	2019 £
Interest on finance leases	**1,012,641**	930,734

11. Tax on profit

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	-	-
Adjustments in respect of previous periods	**245,336**	106,684
Total current tax charge	**245,336**	106,684
Deferred tax		
Origination and reversal of timing differences	**1,022,921**	985,947
Adjustments in respect of previous periods	**(71,978)**	(2,118,848)
Changes to tax rates	**(399,647)**	(103,784)
Total deferred tax charge / (credit)	**551,296**	(1,236,685)
Total tax charge / (credit)	**796,632**	(1,130,001)

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £	2019 £
Profit before taxation	**6,921,867**	10,054,392
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2019 – 19%)	**1,315,155**	1,910,334
Effects of:		
Expenses not deductible for tax purposes	**8,961**	34,087
Income not taxable	-	(2,908)
Adjustments in respect of previous periods	**173,358**	(2,012,164)
Effects of group relief / other reliefs	**(301,194)**	(955,566)
Tax rate changes	**(399,648)**	(103,784)
Total tax charge / (credit) for the year	**796,632**	(1,130,001)

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.
In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

12. Tangible assets

	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation			
At 1 January 2020	40,329,195	15,491,015	55,820,210
Additions	10,537,116	6,993,709	17,530,825
Disposals	(4,190,153)	(4,111,262)	(8,301,415)
Intercompany disposal	(1,369,755)	-	(1,369,755)
At 31 December 2020	**45,306,403**	**18,373,462**	**63,679,865**
Accumulated depreciation			
At 1 January 2020	7,333,244	4,829,229	12,162,473
Charge for the year	7,780,918	3,410,341	11,191,259
Disposals	(4,078,620)	(4,020,327)	(8,098,947)
Intercompany disposal	(612,516)	-	(612,516)
At 31 December 2020	**10,423,026**	**4,219,243**	**14,642,269**
Net book value			
At 31 December 2020	**34,883,377**	**14,154,219**	**49,037,596**
At 31 December 2019	32,995,951	10,661,786	43,657,737

The net carrying amount of assets held under finance lease included in plant and machinery and motor vehicles is £34,756,542 (2019: £34,119,680).

13. Stocks

	2020 £	2019 £
Raw materials and consumables	**94,615**	138,715

14. Debtors

	2020 £	2019 £
Trade debtors	**29,650**	407,688
Amounts owed by group undertakings	**23,525,967**	5,761,381
Amounts owed by related undertakings	**2,239,077**	527,572
Prepayments and accrued income	**-**	1,930,718
Deferred tax asset (note 17)	**2,773,724**	3,325,021
Other debtors	**8,762**	55,387
	28,577,180	12,007,767

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

15. Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	**1,442,066**	1,859,003
Amounts owed to group undertakings	**9,361,075**	365,231
Amounts owed to related undertakings	**33,293**	-
Finance leases	**16,116,857**	11,736,700
Other taxation	**123,582**	4,996
Accruals and deferred income	**9,568,850**	6,774,027
	36,645,723	20,739,957

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

Included in accruals and deferred income are £6,724,571 (2019: £5,696,077) of goods received but not yet invoiced, primarily for external plant hire, stock and consumables used within the business.

16. Creditors: amounts falling due after more than one year

	2020 £	2019 £
Finance leases	**16,667,555**	16,793,384

Finance leases

The future minimum finance lease payments are as follows:

	2020 £	2019 £
Not later than one year	**16,715,540**	12,331,032
Later than one year and not later than five years	**17,915,188**	17,632,844
Total gross payments	**34,630,728**	29,963,876
Less: finance charges	**(1,846,316)**	(1,433,792)
Carrying amount of liability	**32,784,412**	28,530,084

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

17. Deferred taxation

	2020 £
Asset as at 1 January 2020	3,325,021
Charged to the profit and loss account	(623,275)
Adjustments in respect of previous years	71,978
Assets at 31 December 2020	**2,773,724**

The deferred tax asset is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	**2,773,724**	3,325,021

The directors consider the deferred tax assets to be recoverable within three years on the basis of future profit forecasts. £779,931 of deferred tax assets are expected to reverse in the coming 12 month period.

18. Called up share capital

Authorised, Called-up and fully paid

	2020	2019
	£	£
100 (2019 – 100) Ordinary shares of £1 each	**100**	100

19. Related party transactions

The Company has taken advantage of the exemption under paragraph 33.1A from the provisions of FRS 102, on the grounds that at 31 December 2020 it was a wholly owned subsidiary. Consequently, transactions with and balances owing to and owed from companies within the same group have not been disclosed.

During the year the Company undertook transactions with the following related party, by reference to the joint venture stake held by the Company's parent undertaking, which is not a wholly owned subsidiary within the same group:

Revenue earned from

	2020	2019
	£	£
Murphy Eltel JV Limited	**125**	363

At the year end, the following balances with a related party, which is not a wholly owned subsidiary within the same group, were included on the balance sheet:

	2020		2019	
	Receivables outstanding	**Payables due**	Receivables outstanding	Payables due
	£	**£**	£	£
Murphy Eltel JV Limited	**539,960**	**-**	**527,572**	-

20. Contingent liabilities

The company, together with J. Murphy & Sons Limited, and other group undertakings provided a guarantee to Lloyds Bank PLC who provided J. Murphy & Sons Limited, with a revolving credit facility of up to £30m. The amount drawn on this facility was £30m at the balance sheet date. On 31st March 2021, this facility was repaid in full and the charge was released by Lloyds Bank PLC.

21. Capital commitments

At 31 December 2020, the Company had no capital commitments (2019: nil).

22. Operating lease commitments

Operating lease agreements where the Company is a lessee

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

	2020	2019
	£	£
Within one year	**1,249,009**	1,814,293
Between two and five years	**1,172,096**	1,681,046
	2,421,105	3,495,339

23. Ultimate parent undertaking and controlling party

The immediate parent undertaking is J Murphy & Sons Limited. J. Murphy & Sons Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2020. The consolidated financial statements of J. Murphy & Sons Limited can be obtained from Hiview House, Highgate Road, London NW5 1TN.

Drilton Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2020. The consolidated financial statements of Drilton Limited are available from Hiview House, Highgate Road, London NW5 1TN.

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