

Registered number 07966837

Murphy Eltel JV Limited

Directors report and financial statements

For the year ended 31 December 2019



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Directors and advisers

Directors	G M Carr P C Grammer
Company Secretary	N A Walmsley
Registered number	07966837
Registered office	Hiview House Highgate Road London NW5 1TN
Independent auditors	RSM UK Audit LLP 9 th floor 3 Hardman Street Manchester M3 3HF
Bankers	NatWest Bank PLC 16 South Parade Nottingham NG1 2JX

Strategic report

Principal activities and business review

The company undertakes construction; repairs and upgrade work to electricity pylons and conductors. Currently the company is delivering the Richborough overhead line connection project for National Grid ("Richborough contract").

During 2019, following the completion of the infrastructure installation, demobilisation from site was completed with the expectation of recommencing works in early 2020.

The protracted period between completion of the installation of the new infrastructure in November 2018 and the demolition of the existing infrastructure was contractually required in order to prove reliability of the new line prior to the dismantling of the existing line. As such the level of activity and support required by the company during 2019 was minimal. This is evidenced by a reduction of revenue from £53,657k to £4,969k, and the reduction of Gross Profit from £2,896k (5%) to £913k (18%). The increase in GP percentage arose following a review of programme and methodology during 2019 which increased the expected overall contract margin to 5.29% from 4.39%.

Net Profit also reduced in line with activity, however Admin Expenses, dropped by 50% from £494k to £281k. This has not reduced in line with revenue as the majority of the costs incurred are fixed, in 2018 work winning activity was undertaken regarding new opportunities. No such activity has taken place during 2019

Trade receivables and payables balances have also reduced significantly from 2019 in comparison with 2018, again as a result of reduced activity in line with the contract. In relation to trade payable, at the end of 2018, a number of subcontractor accounts were in the process of being final accounted and payments were due for November applications. The final agreement and settlement of the outstanding subcontract accounts significantly eroded the company cash balances from £14,801k to £7,027k, which was offset by receipt of applications due on works performed in 2018 and through 2019.

On 23rd March 2020, the decommissioning of the existing infrastructure was initially put on hold for a one week period in order to assess the impact of COVID and measures needed to conduct operations safely. Following this one-week suspension, works were instructed to resume. In April 2020 a further instruction to cease works for a 12 month period was received as a result of the clients inability to give the company access to the site to complete the scheduled works. The second phase of the contract is now expected to re-commence in early 2021 and be completed by 23rd December 2021.

Future developments and outlook

In addition to completion of its current contract, the Company continues to assess opportunities for future work within the UK and Ireland under a framework agreement with National Grid as there are often minor overhead line modification works in association with already procured projects. National Grid have also recently indicated that they intend to procure major new overhead line construction projects outside the traditional framework.

Key performance indicators

	2019	2018
	£'000	£'000
Revenue	4,969	53,647
Profit before taxation	646	2,318
Cash and cash equivalents	7,027	14,801
Net assets	1,581	1,061
Contract margin	5.29%	4.39%

Turnover, profit before tax and cash have decreased in line with reduced activity on the National Grid contract.

Strategic report (continued)

Principal risks and uncertainties

The company directors recognise the risk that future work under the current framework agreement is largely dependent on its current sole customer, National Grid, although work may be bid for and awarded by other electricity distributors. In addition the company is exposed to a certain level of credit risk from National Grid, but this is mitigated through monitoring the timeliness of cash receipts and ongoing dialogue between the company's commercial team and the customer. There is an element of foreign exchange risk as certain suppliers invoice in Polish Zloty. However, this risk is minimal as there is an agreement in place with National Grid for the company to charge those amounts onto them in Polish Zloty, with receipts from National Grid typically being in advance of payment out to suppliers, effectively passing the foreign exchange risk onto the end customer.

The impact of the coronavirus (Covid-19) on the public health and economy of the UK and the EU is substantial but not fully known yet and this could have a negative impact on the Company's future operations, activity levels and operating profit. The Board continues to monitor the impact on the Group and take this into account when making operational decisions.

In the UK, where the government has supported continuity of construction throughout the pandemic, the business has continued to operate safely, adhering to the relevant Construction Leadership Council Guidelines. These actions, together with proactive collaboration with our customers and supply chain have ensured there has been no significant impact on operational projects in the UK.

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

This report was approved by the board on 21 December 2020 and signed on its behalf.

G M Carr
Director

A large, stylized handwritten signature in black ink, appearing to be 'G M Carr', written over a white background.

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Results and dividends

The profit for the year was £520,000 (2018: £1,873,000). The directors do not recommend the payment of a dividend (2018: £nil).

Future developments and outlook

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

Directors

The directors who held office during the year and up to the date of this report were as follows:

G M Carr	
P C Grammer	(Appointed 28 May 2020)
C M Green	(Resigned 28 May 2020)
C Wittneven	(Resigned 18 December 2020)
J Szcześniak	(Appointed 11 November 2019, resigned 18 December 2020)
P Madaj	(Resigned 11 November 2019)

Political donations

The Company made no political donations during the year (2018: £nil).

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.

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 elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 income statement 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;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs 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 company will continue in business.

Directors' report (continued)

Statement of directors' responsibilities (continued)

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.

Going concern

The directors believe that preparing the financial statements on a going concern basis is appropriate due to the strong cash position at 31 December 2019 and the continued financial support of the parent company, Murphy Power Networks Limited. J. Murphy & Sons Limited, the parent company of Murphy Power Networks Limited has confirmed their ongoing financial support in writing for a period of at least twelve months from the date of approval of the financial statements. In addition, the directors have reviewed the company's cash flow forecasts and profit projections over the following 12 months. The forecasts demonstrate that the company expects to meet its liabilities as they fall due for the foreseeable future.

The uncertainty as to the future impact on the Group headed by J. Murphy & Sons Limited of the recent Covid-19 outbreak has been considered as part of the Company's adoption of the going concern basis. The Group performed a number of downside scenarios on its cash-flow forecasts for the period to 31 December 2021 to consider the potential impact of Covid-19 on the results of the Group, making assumptions around 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 downside scenario demonstrates the effect of reduced order intake and reduced margin. The downside scenario was designed to demonstrate a pessimistic but plausible downside and shows that sufficient cash headroom can be maintained throughout the review period, including in respect of meeting commitments to the Company.

Based on the strong cash position of the company as at 31 December 2019 supplemented by the confirmation of support received from J. Murphy & Sons Limited, the Company's directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the preparation of the financial statements.

Subsequent events

Subsequent to 31 December 2019, the World Health Organization declared a pandemic due to the global outbreak of the coronavirus disease (Covid-19). Its impact on the public's health and the economy rapidly evolved and has so far resulted in quarantines, restrictions on travel and business closures worldwide.

At the date of approving the financial statements, neither the Company's operations nor work winning activity have been significantly impacted by Covid-19. As government responses to combat the disease and strategies to return society to normal emerge, the resultant global social and economic impact could still have a negative impact on the Company's operating results. Plans are in place to monitor developments and mitigate future impacts.

On the 18 December 2020, Murphy Power Networks Limited acquired Eltel Networks UK Limited 50% share of the company.

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.


Directors' report (continued)

Independent auditors

At the next General Meeting, it will be proposed for the auditors, RSM LLP, be re-appointed in accordance with section 485 of the Companies Act 2006.

By order of the board

*G M Carr
Director*

A large, stylized handwritten signature in black ink, appearing to be 'G M Carr', written over the printed name and title.

Hiview House
Highgate Road
London NW5 1TN
United Kingdom

21st December 2020

Independent auditor's report to the members of Murphy Eltel JV Limited

Opinion

We have audited the financial statements of Murphy Eltel JV Limited (the 'company') for the year ended 31 December 2019 which comprise the income statement, statement of financial position, statement of changes in equity, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent auditor's report to the members of Murphy Eltel JV 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 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, 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; 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 x, 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.

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

ALASTAIR JOHN RICHARD NUTTALL (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

3 Hardman Street

Manchester

M3 3HF

Date: 21st December 2020

Income Statement
for the year ended 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Revenue	5	4,969	53,647
Cost of sales		(4,056)	(50,751)
Gross profit		913	2,896
Administrative expenses		(281)	(494)
Operating profit	6	632	2,402
Interest receivable	9	30	-
Interest payable and similar charges	10	(16)	(84)
Profit on ordinary activities before taxation		646	2,318
Taxation	11	(126)	(445)
Profit for the year		520	1,873
Total comprehensive profit for the year		520	1,873

All results relate to continuing operations.

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

The notes on pages 15 to 27 form part of these financial statements.

Statement of Financial Position
as at 31 December 2019

	<i>Note</i>	2019	2018
		£000	£000
Non-current assets			
Property, plant and equipment	<i>12</i>	1,098	1,458
Deferred tax assets	<i>18</i>	11	14
Trade receivables	<i>13</i>	1,937	1,649
		<hr/>	<hr/>
		3,046	3,121
Current assets			
Trade and other receivables	<i>14</i>	741	8,308
Cash and cash equivalents		7,027	14,801
		<hr/>	<hr/>
		7,768	23,109
Total assets		<hr/> 10,814	<hr/> 26,230
Current liabilities			
Borrowings	<i>15</i>	-	(2,680)
Trade and other payables	<i>16</i>	(1,758)	(14,977)
Contract liabilities	<i>17</i>	(7,475)	(7,512)
		<hr/>	<hr/>
Total liabilities		(9,233)	(25,169)
Net assets		<hr/> 1,581	<hr/> 1,061
Equity			
Share capital	<i>19</i>	531	531
Retained earnings		1,050	530
		<hr/>	<hr/>
Total shareholder's funds		1,581	1,061
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the board of directors on 21 December 2020 and were signed on its behalf by:

G M Carr
 Director

Company registered number: 07966837

The notes on pages 15 to 27 form part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2019

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 31 December 2017 (unaudited)	531	(1,343)	(812)
Total comprehensive income for the year			
Profit for the year	-	1,873	1,873
Balance at 31 December 2018	531	530	1,061
Total comprehensive income for the year			
Profit for the year	-	520	520
Balance at 31 December 2019	531	1,050	1,581

The notes on pages 15 to 27 form part of these financial statements.

Cash Flow Statement
for the year ended 31 December 2019

	<i>Note</i>	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Cash flows from operating activities			
Profit / (loss) for the year		520	1,873
<i>Adjustment for:</i>			
Depreciation	12	360	330
		<hr/> 880	<hr/> 2,203
Decrease/(increase) in deferred tax asset		3	262
Decrease/(increase) in trade and other receivables		7,279	(6,160)
(Decrease)/increase in trade and other payables		(15,936)	18,432
		<hr/> (8,654)	<hr/> 12,534
Repayment of obligations under finance leases		-	(369)
		<hr/> -	<hr/> (369)
Net cash used in financing activities			
Net increase/(decrease) in cash and cash equivalents		(7,774)	14,368
Cash and cash equivalents at the beginning of the year		14,801	433
		<hr/> 7,027	<hr/> 14,801
Cash and cash equivalents at the end of the year			
		<hr/> <hr/> 7,027	<hr/> <hr/> 14,801

The notes on pages 15 to 27 form part of these financial statements.

Notes to the financial statements

1 General information

Murphy Eltel JV Limited (the “company”) is a company incorporated and domiciled in the UK.

The company is limited by shares.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements are presented in pounds sterling, which is the functional currency of the company and are presented to the nearest thousand pounds.

2 New standards and standards issued but not yet effective

New standards, interpretations and amendments effective from 1 January 2019

IFRS 16 ‘Leases’ replaced IAS 17 and is effective for periods on or after 1 January 2019. The new standard revises the way that companies will account for their leases. For the company, all rented assets are on short term hire contracts and therefore the directors conclude that there has been no material impact from implementation of the standard.

3 Accounting policies

3.1 Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets are stated at the lower of cost and fair value less costs to sell.

3.2 Going concern

The directors believe that preparing the financial statements on a going concern basis is appropriate due to the strong cash position at 31 December 2019 and the continued financial support of the parent company, Murphy Power Networks Limited. J. Murphy & Sons Limited, the parent company of Murphy Power Networks Limited has confirmed their ongoing financial support in writing for a period of at least twelve months from the date of approval of the financial statements. In addition, the directors have reviewed the company’s cash flow forecasts and profit projections over the following 12 months. The forecasts demonstrate that the company expects to meet its liabilities as they fall due for the foreseeable future.

The uncertainty as to the future impact on the Group headed by J. Murphy & Sons Limited of the recent Covid-19 outbreak has been considered as part of the Company’s adoption of the going concern basis. The Group performed a number of downside scenarios on its cash-flow forecasts for the period to 31 December 2021 to consider the potential impact of Covid-19 on the results of the Group, making assumptions around 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 downside scenario demonstrates the effect of reduced order intake and reduced margin. The downside scenario was designed to demonstrate a pessimistic but plausible downside and shows that sufficient cash headroom can be maintained throughout the review period, including in respect of meeting commitments to the Company.

Based on the strong cash position of the company as at 31 December 2019 supplemented by the confirmation of support received from J. Murphy & Sons Limited, the Company’s directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the preparation of the financial statements.

3.3 Foreign currency

Transactions in foreign currencies are translated to the company’s functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Notes to the financial statements (continued)

3 Accounting policies (continued)

3.4 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new models for classification of financial assets and accounting for credit losses. The standard is effective for periods beginning on or after 1 January 2018. The company has elected to apply the exemption in IFRS 9 and has not restated prior periods in the year of initial application of the standard.

In applying IFRS 9 the company considered the probability of a default occurring over the contractual life of its trade receivables and contract asset balances on initial recognition of those balances.

Based on the company's assessment, there have been no material financial impacts from the application of this standard.

3.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Where applicable, bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

3.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful life is as follows:

Plant and equipment: 5 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

3.7 Contract assets and contract liabilities

Contract assets represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date (see section 3.9) less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Revenue on variations and claims is only recognised when it is highly probable that it will not result in the reversal of revenue. Cost includes all expenditure related directly to specific projects.

Where amounts recognised in revenue exceed amounts invoiced, such Contract assets are presented separately in the statement of financial position. If payments received from customers exceed the income recognised, then the difference is presented as contract liabilities separately in the statement of financial position.

Notes to the financial statements (continued)

3 Accounting policies (continued)

3.8 Impairment excluding deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.9 Revenue

Revenue represents the net amount receivable, excluding value added tax, for goods and services supplied to all customers. In respect of long term contracting activities, revenue reflects the value of work executed during the year (including attributable profit) on a percentage of completion basis as calculated by reference to costs to date as a proportion of total expected costs, in line with IFRS15 which requires revenue to be recognised as contractual obligations are fulfilled. Contract losses are recognised in full as soon as they are foreseen.

In terms of IFRS 15, an entity shall account for a contract with a customer that is within the scope of this Standard only when all of the following criteria are met:

- a) the parties to the contract have approved the contract (in writing, orally, or in accordance with other customary business practices) and are committed to perform their respective obligations;
- b) the entity can identify each party's rights regarding the goods or services to be transferred;
- c) the entity can identify the payment terms for the goods or services to be transferred;
- d) the contract has commercial substance; and
- e) it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

In the previous period, the company adopted IFRS 15 using the modified retrospective approach and as a result had not adjusted the 2017 comparatives.

The contract with National Grid has been reviewed in order to assess the performance obligations to be delivered to the customer. There was no adjustment in the covered reporting period as a result of the application of IFRS 15 in 2018.

3.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

4 Critical accounting judgements and estimation uncertainty

In preparing 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:

Notes to the financial statements (continued)

4 Critical accounting judgements and estimation uncertainty (continued)

(a) Revenue

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. The estimates used in revenue and profit recognition involve considerable 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 may result in changes to the level of revenue and profit recognised in the next financial year.

(b) Carrying value of trade receivables, contract assets and other receivables

The company makes an estimate of the recoverable value of trade receivables, contract assets and other receivables. When assessing impairment of these amounts, management considers factors including the current credit rating of the trade debtors, the ageing profile of the trade receivables and contract assets, the extent of any factors affecting successful conclusion of a contract (including disputes) and historical experience. Allowance for doubtful debt provisions against billed debtors, contract assets and other receivables are made on a specific basis, based on estimates of irrecoverability determined by market knowledge and past experience.

(c) Embedded foreign currency derivatives

As part of the Richborough contract, the Company is paid in Polish Zloty by the customer for work undertaken by a related party subcontractor, Eltel Networks Energetyka S.A. The Company in turn pays Eltel Networks Energetyka S.A. in Polish Zloty. Due to this arrangement not being in the functional currency of the Company, the directors have assessed that this constitutes an embedded foreign currency derivative. The directors have determined that Eltel Networks Energetyka S.A is a substantial party to the contract and therefore this embedded derivative should not be separated from the host contract under IFRS 9.

5 Revenue

All contracts with customers are referred to below as construction contracts.

During the financial year ended 31 December 2019, Murphy Eltel JV Limited had one active contract, being the Richborough contract. The performance obligation is satisfied over time and payment is generally due within thirty days. As at 1 January 2019 and as at the year ended 31 December 2019, the contract liabilities were related to the Richborough contract in its entirety.

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Construction contracts	4,969	53,647

During 2020, a non-recurring error was identified in relation to the accounting for a 2018 certified application from MEJV to National Grid which had not been settled and as a result this amount was not reported as revenue in 2018. As a result of this error, revenue reported in the 2018 financial statements was understated and contract liabilities were overstated. The directors have considered the impact of this error on the prior year comparatives and determined that the error is not material to the position presented. Accordingly the impact of the error has been corrected in the current year. The impact on the current year revenue is as follows:

	Total £'000
Underlying revenue for the year ended 31 December 2019	4,739
Revenue omitted in error in 2018	230
Reported Revenue for the year ended 31 December 2019	4,969

Notes to the financial statements (continued)

5 Revenue (continued)

Transaction price allocated to the remaining performance obligations

	2020 £'000	2021 £'000	Total £'000
Construction contracts	1,887	11,660	13,547

6 Operating Profit

Operating profit is stated after the following:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Depreciation of tangible fixed assets (note 10)	360	330
Net foreign exchange differences	8	56
Auditor's remuneration – audit of the financial statements of the company	20	20

There were no fees for non-audit services paid to the auditors.

During 2020, a non-recurring error was identified in relation to the accounting for a 2018 certified application from MEJV to National Grid which had not been settled and as a result this amount was not reported as revenue in 2018. As a result of this error, revenue reported in the 2018 financial statements was understated and contract liabilities were overstated. The directors have considered the impact of this error on the prior year comparatives and determined that the error is not material to the position presented. Accordingly the impact of the error has been corrected in the current year resulting in an increase in revenue recognised of £230,000 (see note 5).

7 Staff numbers and costs

All employees providing services to the company are employed by the joint venture partners and costs relating to such employees are recharged to the company. Total costs borne by the company in this respect during the year were £nil (2018: £3.7 million).

8 Directors' remuneration

All directors providing services to the company in the year and prior year are employed and remunerated by the joint venture partners.

9 Interest receivable

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Other interest receivable	30	-

Notes to the financial statements (continued)

10 Interest payable

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Bank and other interest payable	16	84

11 Taxation

Recognised in the income statement

	Year ended 31 December 2019		Year ended 31 December 2018	
	£000	£000	£000	£000
UK corporation tax on profits for the period	123		183	
Total current tax		123		183
<i>Deferred tax</i>				
Timing differences	3		259	
Effect of changes in tax rate	-	-	2	
Adjustment in respect of prior periods	-		1	
Total deferred tax		3		262
Total tax charge		126		445

Reconciliation of effective tax rate

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Profit on ordinary activities before taxation	646	2,318
Tax at the UK corporation tax rate of 19% (2018: 19%)	123	440
<i>Effects of:</i>		
Expenses not deductible	-	2
Losses not recognised	3	2
Adjustment in respect of prior periods	-	1
Total tax charge	126	445

Tax losses from J. Murphy & Sons Ltd and Eltel Networks UK Limited have been surrendered to the Company in order to offset its tax liabilities. Payments equal to the calculated tax charge will be made to the surrendering companies for utilisation of these losses.

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. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

Notes to the financial statements (continued)

12 Property, plant and equipment

	Plant and equipment £000
Cost	
Balance at 1 January 2019 and 31 December 2019	4,243
	<u> </u>
Depreciation	
At beginning 1 January 2019	2,785
Depreciation charge	<u>360</u>
At end of 31 December 2019	3,145
	<u> </u>
Net book value	
At 31 December 2019	1,098
	<u> </u>
At 31 December 2018	1,458
	<u> </u>
Cost	
Balance at 1 January 2018 (unaudited) and 31 December 2018	4,243
	<u> </u>
Depreciation	
At beginning 1 January 2018 (unaudited)	2,455
Depreciation charge	<u>330</u>
At end of 31 December 2018	2,785
	<u> </u>
Net book value	
At 31 December 2018	1,458
	<u> </u>
At 31 December 2017	1,788
	<u> </u>

The net carrying amount of assets held under finance leases included above is £nil (2018:£nil).

13 Trade receivables due after more than one year

	2019 £000	2018 £000
Retentions from third party customers	<u>1,937</u>	<u>1,649</u>

Trade receivables are non-interest bearing. As at 31 December 2019, £nil (2018: £nil) of trade receivables due after more than one year were impaired and fully provided for.

Notes to the financial statements (continued)

14 Trade receivables due within one year

	2019 £000	2018 £000
Receivables from third party customers within one year	741	8,308

The ageing analysis of trade receivables is as follows:

	2019 £000	2018 £000
Current	321	8,306
1-30 days	381	-
31 – 60 days	-	2
180 – 365 days	39	-
Total	741	8,308

Trade receivables are non-interest bearing. As at 31 December 2019, £nil (2018: £nil) of trade receivables due within one year were impaired and fully provided for.

15 Borrowings

	2019 £000	2018 £000
Borrowings due within one year	-	2,680
Borrowings due after more than one year	-	-
	-	2,680

The balance of the borrowings at year end is summarised as follows:

	2019 £000	2018 £000
Murphy Power Networks Limited loan	-	1,340
Carillion Holdings Limited loan	-	-
Eltel Networks Limited loan	-	1,340
	-	2,680

The loans above are unsecured. During 2019, all borrowings were repaid in full.

16 Trade and other payables

	2019 £000	2018 £000
<i>Current</i>		
Trade payables	132	1,888
Corporation tax	-	184
Other taxation	213	2,355
Accrued expenses	1,216	10,295
Other creditors	-	255
Amounts owing to related parties	197	-
	1,758	14,977

Notes to the financial statements (continued)

17 Contract liabilities

	2019 £000	2018 £000
Deferred income	7,475	7,512

18 Deferred tax

Movement in deferred tax asset in the year

	£000
At beginning of year	14
(Charge) / credit to the profit and loss account	(3)
At end of year	11

Recognised deferred tax assets and liabilities

	2019 £000	2018 £000
Deferred tax assets are attributable to the following:		
Accelerated capital allowances	11	14
Deferred tax assets	11	14

The deferred tax assets at 31 December 2019 have been calculated based on the rate substantively enacted on the balance sheet date.

19 Capital and reserves

Share capital

	Ordinary shares	
	2019 £000	2018 £000
<i>Issued, allotted, called up and fully paid</i>		
531,000 ordinary shares of £1 each	531	531

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Notes to the financial statements (continued)

20 Financial instruments

Financial instruments

The company's financial instruments comprise cash, borrowings from joint venture partners and various items such as trade receivables and trade payables which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

Financial assets

	Carrying value	
	2019 £000	2018 £000
Trade and other receivables	2,678	9,957
Cash	7,027	14,801
	9,705	24,758
	9,705	24,758

Financial liabilities

	Carrying value	
	2019 £000	2018 £000
Borrowings	-	2,680
Trade and other payables	1,758	14,977
Contract liabilities	7,475	7,512
	9,233	25,169
	9,233	25,169

At both 31 December 2019 and 31 December 2018, there was no significant difference between the carrying value of the company's financial assets and liabilities and their fair value.

Capital Risk

The Company operates within the policies and procedures governed by its parent company, Murphy Power Networks Limited. Within the scope of these policies and procedures, the company manages its capital with the objective of enabling the business to continue as a going concern and maximising returns to stakeholders. The assets and liabilities of the company that are managed as capital comprise trade and other receivables, cash and cash equivalents, and trade and other payables.

Financial Risk

The company's activities expose it to a variety of financial risks, such as market risk (including foreign exchange risk, price risk and credit risk) and liquidity risk. The company's risk management programme seeks to minimise potential adverse effects on the company's financial performance.

Liquidity Risk

The company manages liquidity risk by continuously monitoring forecast and actual cash flows. Future cash requirements are forecast on a monthly basis.

Notes to the financial statements (continued)

19 Financial instruments (continued)

The maturity analysis for the Company's financial liabilities is contractually as follows:

2019

	Carrying Value £000	Less than 3 months £000	3-6 months £000	6-12 months £000	Over 12 months £000
Borrowings	-	-	-	-	-
Trade and other payables	1,758	1,586	-	172	-
Contract liabilities	7,475	-	-	-	7,475
	<u>9,233</u>	<u>1,586</u>	<u>-</u>	<u>172</u>	<u>7,475</u>

2018

	Carrying Value £000	Less than 3 months £000	3-6 months £000	6-12 months £000	Over 12 months £000
Borrowings	2,680	2,680	-	-	-
Finance lease liabilities	14,977	14,793	-	184	-
Trade and other payables	7,512	-	-	7,512	-
	<u>25,169</u>	<u>17,473</u>	<u>-</u>	<u>7,696</u>	<u>-</u>

Market risk

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £9,705,000 (2018: £24,758,000) being the total of the carrying amount of financial assets, excluding equity investments, shown in the table above.

Interest rate risk

Interest rate risk is considered to be minimal in the year ended 31 December 2019 and 31 December 2018 as all borrowings were at a fixed interest rate. A change in the Bank of England base rate would affect the Company's profit before tax by £nil (2018: £nil). The company does not utilise interest rate swaps or other hedging instruments.

20 Commitments

Capital commitments

At 31 December 2019, the company had no capital commitments (2018: £nil).

Notes to the financial statements (continued)

21 Related parties

During the year, the company undertook transactions with the following related parties:

Expenses incurred from	Nature of expenses	Year ended	Year ended
		31 December 2019 £000	31 December 2018 £000
Joint venture partners:			
Eltel Networks UK Limited	Trade related	42	120
Eltel Networks UK Limited	Interest	-	42
Murphy Power Networks Limited	Interest	-	42
Other related parties:			
Biuro Studiów i Projektów Energetycznych Energoprojekt – Kraków SA	Trade related	126	142
Carillion Construction Limited	Trade related	-	222
Carillion Fleet Management Limited	Hire of plant	-	25
Eltel AB	Parent guarantee fee	65	78
Eltel Networks Energetyka S.A.	Trade related	1,069	3,354
Eltel Networks OY	Trade related	(1003)	1,059
Everprime Limited	Trade related	-	217
J Murphy and Sons Limited	Trade related	1,537	5,445
J Murphy and Sons Limited	Parent guarantee fee	65	-
Murphy Plant Limited	Hire of plant	948	6,516
		2,849	17,262
		2,849	17,262

At the year end, the following balances with related parties were on the statement of financial position:

	2019		2018	
	Receivables outstanding £000	Payables due £000	Receivables Outstanding £000	Payables due £000
Joint venture partners:				
Murphy Power Networks Limited	-	-	-	(1,340)
Eltel Networks UK Limited	-	(102)	-	(1,362)
Other related parties:				
Biuro Studiów i Projektów Energetycznych Energoprojekt - Kraków SA	-	(40)	-	-
Carillion Construction Limited	-	(145)	-	(367)
Carillion Fleet Management Limited	-	-	-	(126)
Eltel AB	-	(35)	-	(86)
Eltel Networks Energetyka S.A.	-	-	-	(1,045)
Eltel Networks Olsztyn S.A.	-	-	-	-
Eltel Networks OY	-	(27)	-	(42)
Everprime Limited	-	-	-	(145)
J Murphy & Sons Limited	-	(198)	-	(2,936)
Murphy Plant Limited	-	(521)	-	(2,619)
	-	(1,068)	-	(10,068)
	-	(1,068)	-	(10,068)

Notes to the financial statements (continued)

21 Related parties (continued)

The related parties listed above under 'other related parties' are all fellow subsidiary companies of the joint venture partners who owned the company during 2019 or in the case of J. Murphy & Sons Limited and Eltel AB, the parent company of each of the joint venture partners.

J. Murphy and Sons Limited provides accounting services for nil consideration.

22 Subsequent events

Subsequent to 31 December 2019, the World Health Organization declared a pandemic due to the global outbreak of the coronavirus disease (Covid-19). Its impact on the public's health and the economy rapidly evolved and has so far resulted in quarantines, restrictions on travel and business closures worldwide.

At the date of approving the financial statements, neither the Company's operations nor work winning activity have been significantly impacted by Covid-19. As government responses to combat the disease and strategies to return society to normal emerge, the resultant global social and economic impact could still have a negative impact on the Company's operating results. Plans are in place to monitor developments and mitigate future impacts.

On the 18 December 2020, Murphy Power Networks Limited acquired Eltel Networks UK Limited 50% share of the company.

23 Ultimate parent undertaking and controlling party

The immediate parent holding company is Murphy Power Networks Limited. The ultimate parent company of Murphy Power Networks Limited is Maryland Limited, a company incorporated in the Isle of Man.

No group financial statements include the results of the company.

In the opinion of the directors, there is no ultimate controlling party.