Registered number 07966837

Murphy Eltel JV Limited

Directors report and financial statements

For the year ended 31 December 2018

Contents

Directors and advisers

Directors

G M Carr
C M Green
Dr C Wittneven
J Szcześniak

Company Secretary N A Walmsley

Registered number 07966837

Registered office

Hiview House
Highgate Road
London
NW5 1TN

Independent auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

NatWest Bank PLC
16 South Parade
Nottingham
NG1 2JX

Strategic report

Principal activities and business review

The company is the vehicle for a joint venture arrangement between Murphy Power Networks Limited and Eltel Networks UK Limited. It undertakes construction of and repairs and upgrade work to electricity pylons and conductors.

The company was previously the vehicle for a joint venture arrangement between Carillion Holdings Limited and Eltel Networks UK Limited; the Carillion Holdings Limited share was sold to Murphy Power Networks Limited on 6 February 2018.

The company changed its name from Carillion Eltel JV Limited to Murphy Eltel JV Limited on 15 February 2018.

During 2018, work continued on the contract with National Grid with construction works completing towards the end of 2018. The contract has continued into 2019 and 2020 as there is an obligation to return to site to disassemble infrastructure that has been replaced.

Future developments and outlook

In addition to completion of its current contract, the Company continues to bid for future work under a framework agreement with National Grid.

Key performance indicators

		Unaudited
	2018	2017
	£'000	£'000
Revenue	**53,647**	7,697
Profit / (loss) before taxation	**2,318**	(627)
Cash and cash equivalents	**14,801**	433
Net assets / (liabilities)	**1,061**	(812)

Turnover, profit before tax and cash have increased in line with activity on the National Grid contract with the majority of the activity taking place in 2018.

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 UKs decision to exit from the EU ("Brexit") has created significant macro-economic uncertainty. However the impact of Brexit on the business, both in the UK and Ireland, is not of significant concern to the directors. The infrastructure works being provided for our clients are essential for the functioning of the UKs economy and society, and in the opinion of the directors, are 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 11 March 2020 and signed on its behalf.

Christopher Green.

C M Green

Director

Directors' report

The directors their annual report and financial statements for the year ended 31 December 2018.

The directors previously took advantage of the exemptions applicable to small companies contained in the Companies Act 2006 and accordingly the 2017 figures presented in the annual report and financial statements are unaudited.

Results and dividends

The profit for the year was £1,873,000 (2017: loss of £515,000). The directors do not recommend the payment of a dividend (2017: £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:

GM Carr	(Appointed 6 February 2018)
CM Green	(Appointed 6 February 2018)
C Wittneven	(Appointed 18 April 2018)
J Szcześniak	(Appointed 11 November 2019)
P Madaj	(Appointed 20 August 2018; Resigned 11 November 2019)
A Lassila	(Resigned 20 August 2018)
FJ Gale	(Resigned 6 February 2018)
A Joy	(Resigned 6 February 2018)
JP Luusua	(Resigned 18 April 2018)

Political donations

The Company made no political donations during the year (2017: £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.

Directors' report (continued)

Statement of directors' responsibilities (continued)

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.

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 2018 and an agreed pipeline of work to the end of 2020, as well as continued financial support of the Joint Venture partners. The directors have received written confirmation that J. Murphy & Sons Limited, the parent company of Murphy Power Networks Limited, and Eltel Group Oy, the immediate parent company of Eltel Networks UK Limited, intend to provide financial support to enable the company to meet its liabilities as they fall due for at least one year after the financial statements are approved. 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.

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

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

By order of the board

Christopher Green.

C M Green
Director

Hiview House
Highgate Road
London NW5 1TN
United Kingdom

11 March 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 for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 22, 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 company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 below. 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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 pages 5 and 6, 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 https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matter

The comparatives for the year ended 31 December 2017 are unaudited.

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

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.

Ernst & Young

Adrian Mulea (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 11 MAR 2020

Income Statement
for the year ended 31 December 2018

	Note	**2018** **£000**	Unaudited 2017 £000
Revenue	*5*	**53,647**	7,697
Cost of sales		**(50,751)**	(8,249)
Gross profit / (loss)	*6*	**2,896**	(552)
Administrative expenses		**(494)**	(16)
Operating profit / (loss)	*6*	**2,402**	(568)
Interest payable and similar charges		**(84)**	(59)
Profit / (loss) on ordinary activities before taxation		**2,318**	(627)
Taxation	*9*	**(445)**	112
Profit / (loss) for the year		**1,873**	(515)
Total comprehensive profit / (loss) for the year		**1,873**	(515)

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 14 to 27 form part of these financial statements.

Statement of Financial Position
as at 31 December 2018

	Note			Unaudited	
			2018		2017
		£000	**£000**	£000	£000
Non-current assets					
Property, plant and equipment	*10*	**1,458**		1,788	
Deferred tax assets	*16*	**14**		276	
			1,472		2,064
Current assets					
Trade and other receivables	*11*	**9,957**		1,669	
Contract assets	*12*	**-**		2,128	
Cash and cash equivalents		**14,801**		433	
			24,758		4,230
Total assets			**26,230**		6,294
Current liabilities					
Borrowings	*13*	**(2,680)**		-	
Trade and other payables	*14*	**(14,977)**		(4,139)	
Contract liabilities	*15*	**(7,512)**		-	
Finance leases	*16*	**-**		(369)	
			(25,169)		(4,508)
Non-current liabilities					
Borrowings	*13*	**-**		(2,598)	
			-		(2,598)
Total liabilities			**(25,169)**		(7,106)
Net assets / (liabilities)			**1,061**		(812)
Equity					
Share capital	*18*		**531**		531
Retained earnings			**530**		(1,343)
Total shareholder's funds / (deficit)			**1,061**		(812)

These financial statements were approved by the board of directors on 11 March 2020 and were signed on its behalf by:

C M Green
Director

Company registered number: 07966837

The notes on pages 14 to 27 form part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2018

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 31 December 2016 (unaudited)	**531**	**(828)**	**(297)**
Total comprehensive loss for the year (unaudited)			
Loss for the year	-	(515)	(515)
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**

The notes on pages 14 to 27 form part of these financial statements.

Cash Flow Statement
for the year ended 31 December 2018

	Note	Year ended 31 December 2018 £000	Unaudited Year ended 31 December 2017 £000
Cash flows from operating activities			
Profit / (loss) for the year		**1,873**	(515)
Adjustment for:			
Depreciation	*10*	**330**	427
		2,203	(88)
Decrease/(Increase) in deferred tax asset		**262**	(112)
Increase in trade and other receivables		**(6,160)**	(3,519)
Increase in trade and other payables		**18,432**	4,201
Net cash generated from / (used in) operating activities		**12,534**	570
Repayment of obligations under finance leases		**(369)**	(850)
Net cash used in financing activities		**(369)**	(850)
Net increase/(decrease) in cash and cash equivalents		**14,368**	(368)
Cash and cash equivalents at the beginning of the year		**433**	801
Cash and cash equivalents at the end of the year		**14,801**	433

The notes on pages 14 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 company changed its name from Carillion Eltel JV Limited to Murphy Eltel JV Limited on 15 February 2018.

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 2018

New standards impacting the company that have been adopted in the annual financial statements for the year ended 31 December 2018 are:

- IFRS 9 Financial Instruments (IFRS9) and
- IFRS 15 Revenue from Contracts with Customers (IFRS15).

Details of the impact these two standards have had on the company are explained in notes 3.4 and 3.8 respectively.

Standards issued but not yet effective

IFRS 16 'Leases' replaces 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 will be 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 financial statements are prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future.

The directors believe that preparing the financial statements on a going concern basis is appropriate due to the strong cash position at 31 December 2018 and an agreed pipeline of work to the end of 2020, as well as continued financial support of the Joint Venture partners. The directors have received written confirmation that J. Murphy & Sons Limited, the parent company of Murphy Power Networks Limited, and Eltel Group Oy, the ultimate parent company of Eltel Networks UK Limited, intend to provide financial support to enable the company to meet its liabilities as they fall due for at least one year after the financial statements are approved. 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.

Notes to the financial statements (continued)

3 Accounting policies *(continued)*

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.

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.

Notes to the financial statements (continued)

3 Accounting policies *(continued)*

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.

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.

Notes to the financial statements (continued)

3 Accounting policies *(continued)*

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.

The company has adopted IFRS 15 using the modified retrospective approach and as a result has not adjusted the prior year comparatives.

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

3.9 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.

Notes to the financial statements (continued)

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.

Critical accounting estimates and judgements

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) 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 in involved 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.

Notes to the financial statements (continued)

5 Revenue

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

During the financial year ended 31 December 2018, Murphy Eltel JV Limited had one active contract, being the Richborough OHL Project. The performance obligation is satisfied over time and payment is generally due within thirty days. As at 1 January 2018, Murphy Eltel JV Limited had no contract liabilities and therefore revenue recognised in the year all relates to services provided in 2018. As at the year ended 31 December 2018, the contract liabilities were related to the Richborough project in its entirety.

	Year ended 31 December 2018 £000	Unaudited Year ended 31 December 2017 £000
Construction contracts	**53,647**	7,697

Transaction price allocated to the remaining performance obligations

	2019 £'000	**2020 £'000**	**Total £'000**
Construction contracts	4,795	10,969	15,764

6 Operating Profit / (Loss)

Operating profit / (loss) is stated after the following:

	Year ended 31 December 2018 £000	Unaudited Year ended 31 December 2017 £000
Depreciation of tangible fixed assets (note 10)	**330**	427
Net foreign exchange differences	**56**	-
Auditor's remuneration – audit of the financial statements of the company	**20**	-

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

Notes to the financial statements (continued)

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 £3.7 million (2017: £2.0 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 Taxation

Recognised in the income statement

		Year ended 31 December 2018		Unaudited Year ended 31 December 2017
	£000	**£000**	£000	£000
UK corporation tax on profits for the period	**183**		-	
Total current tax		**183**		-
Deferred tax				
Timing differences	**259**		(119)	
Effect of changes in tax rate	**2**		7	
Adjustment in respect of prior periods	**1**		-	
Total deferred tax		**262**		(112)
Total tax charge/(credit)		**445**		(112)

Reconciliation of effective tax rate

	Year ended 31 December 2018 £000	Unaudited Year ended 31 December 2017 £000
Profit/(loss) on ordinary activities before taxation	**2,318**	(627)
Tax at the UK corporation tax rate of 19% (2017: 19%)	**440**	(119)
Effects of:		
Changes in tax rate	**2**	-
Losses not recognised	**2**	-
Adjustment in respect of prior periods	**1**	7
Total tax charge/(credit)	**445**	(112)

Factors affecting future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of the Finance No 2. Act 2015. These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. As at the balance sheet date this future tax rate reduction has been enacted and hence in accordance with accounting standards the effect has been reflected in the company's financial statements as at 31 December 2018.

Notes to the financial statements (continued)

10 Property, plant and equipment

	Plant and equipment £000
Cost	
At beginning (unaudited) and end of year	4,243
Depreciation	
At beginning of year (unaudited)	2,455
Depreciation charge for the year	330
At end of year	2,785
Net book value	
At 31 December 2018	**1,458**
At 31 December 2017 (unaudited)	1,788

The net carrying amount of assets held under finance leases included above is £nil (2017:£253,000).

11 Trade receivables

	2018 £000	Unaudited 2017 £000
Receivables from third party customers	**9,957**	1,669

The ageing analysis of trade receivables is as follows:

	2018 £000	Unaudited 2017 £000
Current	**9,955**	1,669
31 – 60 days	**2**	-
Total	**9,957**	1,669

Trade receivables are non-interest bearing. As at 31 December 2018, £nil (2017: £nil) of trade receivables were impaired and fully provided for.

12 Contract assets

Contract assets

As at 31 December 2018, the company has contract assets of £nil (2017: £2,128,000). There were no allowances for credit losses in either year.

The company has moved from a contract asset position to a contract liability position (see note 15) over the course of 2018 due to timing of certification on construction contracts.

Notes to the financial statements (continued)

13 Borrowings

	2018 £000	Unaudited 2017 £000
Borrowings due within one year	**2,680**	-
Borrowings due after more than one year	-	2,598
	2,680	2,598

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

	2018 £000	Unaudited 2017 £000
Murphy Power Networks Limited loan	**1,340**	-
Carillion Holdings Limited loan	-	1,299
Eltel Networks Limited loan	**1,340**	1,299
	2,680	2,598

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

14 Trade and other payables

	2018 £000	Unaudited 2017 £000
Current		
Trade payables	**1,888**	1,044
Corporation tax	**184**	-
Other taxation	**2,355**	227
Accrued expenses	**10,295**	2,868
Other creditors	**255**	-
	14,977	4,139

15 Contract liabilities

	2018 £000	Unaudited 2017 £000
Deferred income	**7,512**	-

The company has moved from a contract asset position to a contract liability position (see note 12) over the course of 2018 due to timing of certification on construction contracts.

Notes to the financial statements (continued)

16 Finance leases

The future minimum finance lease payments are as follows:	**2018**	2017
	£000	£000
Not later than one year	-	369

17 Deferred tax

Movement in deferred tax asset in the year

	£000
At beginning of year (unaudited)	276
(Charge) / credit to the profit and loss account	(262)
At end of year	**14**

Recognised deferred tax assets and liabilities

		Unaudited
	2018	2017
	£000	£000
Deferred tax assets are attributable to the following:		
Accelerated capital allowances	**14**	20
Tax losses	-	256
Deferred tax assets	**14**	276

The deferred tax assets at 31 December 2018 have been calculated based on the rate substantively enacted on the balance sheet date.

18 Capital and reserves

Share capital

	Ordinary shares	
		Unaudited
	2018	2017
	£000	£000
Issued, allotted, called up and fully paid		
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)

19 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	
		Unaudited
	2018	2017
	£000	£000
Trade and other receivables	**9,957**	1,669
Cash	**14,801**	433
Contract assets	**-**	2,128
	24,758	4,230

Financial liabilities

	Carrying value	
		Unaudited
	2018	2017
	£000	£000
Borrowings	**2,680**	2,598
Finance lease liabilities	**-**	369
Trade and other payables	**14,977**	4,139
Contract liabilities	**7,512**	-
	25,169	7,106

At both 31 December 2018 and 31 December 2017, 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 Joint Venture Partners, Murphy Power Networks Limited and Eltel Networks UK 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:

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	-	-	-
Trade and other payables	14,977	14,793	-	184	-
Contract liabilities	7,512	-	-	7,512	-
	25,169	17,473	-	7,696	-

2017 - unaudited

	Carrying Value £000	Less than 3 months £000	3-6 months £000	6-12 months £000	Over 12 months £000
Borrowings	2,598	-	-	-	2,598
Finance lease liabilities	369	-	369	-	-
Trade and other payables	4,139	4,139	-	-	-
	7,106	4,139	369	-	2,598

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 £24,758,000 (2017: £4,230,000) 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 2018 and 31 December 2017 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 (2017: £nil). The company does not utilise interest rate swaps or other hedging instruments.

20 Commitments

Capital commitments

At 31 December 2018, the company had no capital commitments (2017 (unaudited): £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 31 December 2018 £000	Unaudited Year ended 31 December 2017 £000
Joint venture partners:			
Eltel Networks UK Limited	Trade related	120	18
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	142	-
Carillion Construction Limited	Trade related	222	1,472
Carillion Fleet Management Limited	Hire of plant	25	85
Carillion Utility Services Limited	Interest	-	46
Eltel AB	Parent guarantee fee	78	-
Eltel Networks Energetiyka S.A.	Trade related	3,354	-
Eltel Networks OY	Trade related	1,059	32
Everprime Limited	Trade related	217	495
J Murphy and Sons Limited	Trade related	5,445	-
Murphy Plant Limited	Hire of plant	6,516	-
		17,262	2,148

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

	2018 Receivables outstanding £000	2018 Payables due £000	2017 (unaudited) Receivables Outstanding £000	2017 (unaudited) Payables due £000
Joint venture partners:				
Murphy Power Networks Limited	-	(1,340)	-	-
Carrillion Holdings Limited	-	-	-	(1,299)
Eltel Networks UK Limited	-	(1,362)	-	(1,299)
Other related parties:				
Carillion Construction Limited	-	(367)	-	(44)
Carillion Fleet Management Limited	-	(126)	-	(36)
Eltel AB	-	(86)	-	-
Eltel Networks Energetiyka S.A.	-	(1,045)	-	-
Eltel Networks Olsztyn S.A.	-	-	-	(13)
Eltel Networks OY	-	(42)	-	(32)
Everprime Limited	-	(145)	-	(171)
J Murphy & Sons Limited	-	(2,936)	-	-
Murphy Plant Limited	-	(2,619)	-	-
	-	(10,068)	-	(2,894)

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 or in the case of J. Murphy & Sons Limited and Eltel AB, the parent company of each of the joint venture partners.

On 6 February 2018, the balance of £1.299m due to Carillion Holdings Limited was assigned to Murphy Power Networks Limited.

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

22 Ultimate parent undertaking and controlling party

The company is a joint venture undertaking of Murphy Power Networks Limited and Eltel Networks UK Limited which each hold 50% of the issued ordinary shares of the company.

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

The ultimate parent company of Eltel Networks UK Limited is Eltel AB, a company registered in Sweden.

No group financial statements include the results of the company.

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