

**MGS Water Limited (formerly M Group
Utilities Limited)**
**Annual report and financial statements
for the year ended 31 March 2022**

Registration number 06508968

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MGS Water Limited (formerly M Group Utilities Limited)

Annual report and financial statements for the year ended 31 March 2022

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MGS Water Limited (formerly M Group Utilities Limited)

Company information

Directors	J M Arnold A R Findlay C Keen J R Winnicott
Company secretary	W J Cooper
Registered office	Abel Smith House Gunnels Wood Road Stevenage Hertfordshire SG1 2ST
Registered number	06508968
Independent auditors	Deloitte LLP 1 New Street Square London EC4A 3HQ

MGS Water Limited (formerly M Group Utilities Limited)

Strategic report for the year ended 31 March 2022

The directors present their Strategic report for the year ended 31 March 2022.

Review of the business

MGS Water Limited (formerly M Group Utilities Limited) (the "Company") acts as a holding company. The Company holds investments in Morrison Water Services Limited (formerly Morrison Utility Services Limited) and its subsidiaries, IDS Holdings Limited and its subsidiaries and Z-Tech Control Systems Limited. The principle activities of these companies are that of specialist services to essential infrastructure markets in the Water and Energy markets.

IDS operates in the MEICAT ("Mechanical, Electrical, Instrumentation, Control, Automation and Telemetry") sector and provides design, project management, commissioning, repair and maintenance services to water infrastructure and other markets.

The Company completed the acquisition of Z-tech Control Systems Limited ("Z-Tech") on 16 December 2021.

Z-Tech is an electrical, control and instrumentation (EC&I) specialist providing mission-critical services including design, project management, commissioning, repair and maintenance services.

The Company made a loss before taxation of £1.9 million for the year ended 31 March 2022 (2021: loss £1.8 million), reflecting interest payable on Group inter-company loans. A tax credit on loss of £1.6 million (2021: £1.6 million) reduced the loss for the financial year to £0.2 million (2021: loss £0.2 million). The results of the Company and its subsidiaries can be found in the consolidated financial statements of the ultimate parent company, Minerva Equity Limited.

As at the year end the Company had net liabilities of £128.0m (2021: net liabilities 127.8m).

Future developments

The Company is expected to continue acting as a holding company for the foreseeable future.

Principal risks and uncertainties

The main risks faced by the Company are the ability of the Company's subsidiaries to manage their own risks such as economic conditions, business interruption, economic regulation, contract renewals, skills shortages, reliance on supply chain, health and safety and new business. Failure to manage these effectively could lead to a potential impairment in the value of the Company's investment.

Key performance indicators (KPIs)

The Company's business is that of a holding company and as a result no key performance indicators are monitored. The directors consider the Company's performance to be satisfactory.

Stakeholder engagement

Effective engagement of stakeholder groups supports the principles of Section 172 of the Companies Act 2006 which sets out that directors should have regard to stakeholder interests when discharging their duty to promote the success of the Company.

Our success depends on forging positive relationships with the people, communities and organisations that have an interest in our business and may be impacted by the decisions we make. Whilst the Company is a holding company and does not trade in its own right, our subsidiaries engage with the following stakeholder groups. We set out below how we, along with our subsidiaries, engage with our main stakeholders and our impact.

MGS Water Limited (formerly M Group Utilities Limited)

Strategic report for the year ended 31 March 2022

Stakeholder engagement (continued)

People

We endeavour to listen to our people, to provide feedback and keep them engaged and informed. Successful performance can be delivered through a high level of engagement ensuring our people share the Company's core values and feel supported by our culture. We are committed to creating an environment in which our people feel valued, supported and fulfilled.

Additional details are set out in the Employee Engagement statement on page 6.

It is key that we continue to engage and listen to all feedback to harness the talent that we already have within the Company and also ensure there exists a working environment that allows people to flourish. A Company wide People Opinion Survey takes place annually enabling us to address areas for improvement to make the Company a better place to work. The feedback from this engagement is considered by the board which helps to inform short-term actions and long-term people strategies.

Clients

Each division is dedicated to an individual market. We have long-term relationships with our clients across multiple contracts. We aim to meet the specific need of each of our clients to deliver best in class solutions.

Suppliers and subcontractors

Dialogue with suppliers and subcontractors is important to mitigate supply chain risk and to ensure we have access to the most cost effective and reliable products and services. We work closely with our supply chain to ensure we can meet our business requirements in a sustainable way.

Our code of conduct sets out clear standards regarding our ways of working with our supply chain. Having key account support and face-to-face meetings helps to build trust and long term relationships which is beneficial to both parties.

Communities and the environment

Collaborations with local schools in order to encourage an interest in STEM (science, technology, engineering and maths) subjects among school students helps to raise awareness of careers in our sector.

Through our workshops many students get a taste of the challenges our staff face and an understanding of the practical application of STEM subjects. Our aim is to increase the number of school workshops that are delivered, and reach a larger audience of students.

Additionally, we actively partner with the armed forces to provide employment to suitable ex services personnel seeking a career after their time in the services. We continue to expand our apprentice and graduate intake as well as creating new programmes for the long-term unemployed.

We are committed to minimising our environmental impact, promoting good environmental practice across all our operations.

Shareholders

The Company is a wholly-owned subsidiary of Minerva Equity Limited, a United Kingdom incorporated company which is owned by management and Blueprint Investments Sarl (Luxembourg). Blueprint Investments Sarl (Luxembourg) is indirectly controlled by PAI Europe VI, a private equity fund which is ultimately controlled by PAI Partners. Shareholders are represented on the board of directors of Minerva Equity Limited. Strategic direction and regular monitoring and reporting of financial and operational information is discussed in these meetings.

Our shareholders aim to increase the long-term strategic value of the Group in partnership with the management team. We target long term profitable growth, both organically and through acquisitions that enable a broadening of the Group's service offering.

MGS Water Limited (formerly M Group Utilities Limited)

**Strategic report
for the year ended 31 March 2022**

Stakeholder engagement (continued)

Lenders

Lenders to the Group provide a significant source of capital to enable the Group to be successful and finance its activities. In this process they participate as key stakeholders and supporters of the Group.

We regularly share financial and operational information with our lenders and the progress against the strategic objectives set by the board.

The strategic report was approved and authorised for issue by the board of directors.

On behalf of the board,



A R Findlay
Director
21 September 2022
Registered number: 06508968

Abel Smith House
Gunnels Wood Road
Stevenage
Hertfordshire
SG1 2ST

MGS Water Limited (formerly M Group Utilities Limited)

Directors' report for the year ended 31 March 2022

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

Business review and future developments

In accordance with section 414c (11) of the Companies Act 2006, the Directors have chosen to include the principal activity of the Company; the principal risks and uncertainties; the business review; and future developments in the Strategic Report.

Dividends

No dividends were paid in the year (2021: £nil). The directors do not recommend the payment of a final dividend (2021: £nil).

Directors

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

J M Arnold	
M G Beesley	(resigned 22 October 2021)
A R Findlay	(appointed 18 August 2021)
W J Cooper	(resigned 15 September 2022)
C Keen	(appointed 15 September 2022)
J R Winnicott	

Third party indemnity

The Company maintains qualifying third party indemnity insurance for all directors as required by section 234 of the Companies Act 2006. These insurances were in force throughout the year to 31 March 2022 and up to the date the financial statements were approved.

Post balance sheet events

Following a strategic review of the legal structure of the Minerva Equity Limited group, on 20 May 2022 the Company acquired 100% share capital of Planned Maintenance (Pennine) Limited from fellow subsidiary PMP Utilities Limited at net book value of £2,382,000.

Going concern

The directors have taken into account uncertainties in preparing financial projections and assessing the future prospects of the Company and Group. These included the risk of a significant economic shock impacting the UK essential infrastructure market. However, this is considered a low risk as during the economically challenging period as a result of the COVID-19 pandemic, the Group was able to generate positive operating cash flows demonstrating the Group's ability to withstand significant external economic shocks. They also considered the impact of the high inflationary environment, however this is also considered low risk given the nature of the Group's framework agreements, the majority of which have indexation mechanisms. Cash flow has been and continues to be robust, in line with management's expectations. Demand in our resilient markets remains strong and the Group has significant levels of liquidity available.

Accordingly, based on the Group's financial projections and the current expectations of the directors about the prospects of the Group and Company, the financial statements have been prepared on the going concern basis. The Company has net current liabilities of £289m and net liabilities of £128m but has access if needed to funding from its parent company M Group Services Limited, which has confirmed its intention to support the business for a period of at least twelve months from the date of approval of the financial statements.

The directors consider that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements.

MGS Water Limited (formerly M Group Utilities Limited)

Directors' report for the year ended 31 March 2022 (continued)

Employee engagement

Our statement describing how the Board has had regard to the matters set out in section 172 (1) (a) to (f) of the Companies Act 2006 when performing its duty under section 172 is set out on pages 2 to 4.

Employees are kept informed of matters affecting them. The Company operates a systematic approach to communication through regular briefings, presentations, electronic mailings and the wide circulation of magazines, to achieve a common awareness among all employees in relation to the financial and economic factors that affect the performance of the Company. Recognition and reward schemes are in place to encourage participation in the Company's performance, highlight the achievements and successes of our people and to thank them for their hard work and dedication.

To further our endeavour to listen to our people and drive business improvement, employees are encouraged to participate in a confidential opinion survey carried out annually.

The Company is an equal opportunities employer and applications from disabled persons are fully and fairly considered, having regard to the aptitudes and abilities of the applicant. In the event of disability, every effort is made to ensure that employment continues and appropriate training is given. Career development and promotion of disabled people is, as far as possible, identical to that of other employees.

Greenhouse gas emissions and energy use

In accordance with the requirements of Streamlined Energy and Carbon Reporting (SECR), the Company's greenhouse gas emissions and energy use data has been disclosed in the consolidated financial statements of parent company M Group Services Limited.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

MGS Water Limited (formerly M Group Utilities Limited)

**Directors' report
for the year ended 31 March 2022 (continued)**

Statement of disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditors

Deloitte LLP have expressed their willingness to continue in office as auditors and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

The directors' report was approved and authorised for issue by the board of directors.

On behalf of the board,



A R Findlay
Director
21 September 2022
Registered number: 06508968

Abel Smith House
Gunnels Wood Road
Stevenage
Hertfordshire
SG1 2ST

MGS Water Limited (formerly M Group Utilities Limited)

Independent auditors' report to the members of MGS Water Limited (formerly M Group Utilities Limited)

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of MGS Water Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

MGS Water Limited (formerly M Group Utilities Limited)

Independent auditors' report to the members of MGS Water Limited (formerly M Group Utilities Limited) (continued)

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting Irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

MGS Water Limited (formerly M Group Utilities Limited)

Independent auditors' report to the members of MGS Water Limited (formerly M Group Utilities Limited) (continued)

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included General Data Protection Regulations ("GDPR").

We discussed among the audit engagement team including relevant internal specialists such as tax and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Valuation of investments: the investment balances are quantitatively material and there is a high degree of judgement by management in determining whether any provision for impairment is required. This has been addressed through obtaining an understanding of the relevant controls in the investment impairment analysis process, and challenging management's assessment and forecasts to determine the existence of any indicators of impairment for each investment held.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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.

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 any material misstatements in the strategic report or the directors' report.

MGS Water Limited (formerly M Group Utilities Limited)

Independent auditors' report to the members of MGS Water Limited (formerly M Group Utilities Limited) (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.



Simon Letts, BA FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, UK

21 September 2022

MGS Water Limited (formerly M Group Utilities Limited)

**Statement of comprehensive income
for the year ended 31 March 2022**

		Year ended 31 March 2022	Year ended 31 March 2021
	Note	£'000	£'000
Turnover		-	-
Cost of sales		-	-
Gross result		-	-
Administrative expenses		(1)	-
Operating (loss) / result		(1)	-
Interest payable and similar expenses	7	(1,851)	(1,765)
Loss before taxation		(1,852)	(1,765)
Tax on loss	8	1,611	1,561
Loss for the financial year		(241)	(204)
Other comprehensive income		-	-
Total comprehensive expense for the financial year		(241)	(204)

The accompanying notes on pages 15 to 24 form part of these financial statements.

The above results relate to continuing operations for both financial years.

MGS Water Limited (formerly M Group Utilities Limited)

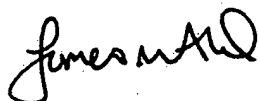
Balance sheet as at 31 March 2022

	Note	At 31 March 2022 £'000	At 31 March 2021 £'000
Fixed assets			
Investments	9	173,488	151,145
Debtors: amounts falling due after more than one year	10	29,059	29,479
		202,547	180,624
Current assets			
Debtors	11	3,926	1,561
Creditors: amounts falling due within one year	12	(292,590)	(276,751)
Net current liabilities		(288,664)	(275,190)
Total assets less current liabilities		(86,117)	(94,566)
Creditors: amounts falling due after more than one year	13	(41,891)	(33,201)
Net liabilities		(128,008)	(127,767)
Capital and reserves			
Called up share capital	14	14	14
Share premium account	15	1,377	1,377
Profit and loss account		(129,399)	(129,158)
Total equity		(128,008)	(127,767)

The notes on pages 15 to 24 are an integral part of these financial statements.

The financial statements on pages 12 to 24 were approved and authorised for issue by the board of directors on 21 September 2022 and were signed on its behalf by:

J M Arnold
Director



A R Findlay
Director



MGS Water Limited (formerly M Group Utilities Limited)

Registered number: 06508968

MGS Water Limited (formerly M Group Utilities Limited)

**Statement of changes in equity
for the year ended 31 March 2022**

	Called up share capital	Share premium account	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Balance as at 1 April 2020	14	1,377	(128,954)	(127,563)
Loss and total comprehensive expense for the financial year	-	-	(204)	(204)
Balance as at 31 March 2021	14	1,377	(129,158)	(127,767)
Loss and total comprehensive expense for the financial year	-	-	(241)	(241)
Balance as at 31 March 2022	14	1,377	(129,399)	(128,008)

The notes on pages 15 to 25 are an integral part of these financial statements.

MGS Water Limited (formerly M Group Utilities Limited)

Notes to the financial statements for the year ended 31 March 2022

1 General information

The Company is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England. The address of its registered office is Abel Smith House, Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2ST.

2 Statement of compliance

The financial statements of MGS Water Limited (formerly M Group Utilities Limited) have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation

The financial statements are prepared on a going concern basis under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going concern

The directors have taken into account uncertainties in preparing financial projections and assessing the future prospects of the Company and Group. These included the risk of a significant economic shock impacting the UK essential infrastructure market. However, this is considered a low risk as during the economically challenging period as a result of the COVID-19 pandemic, the Group was able to generate positive operating cash flows demonstrating the Group's ability to withstand significant external economic shocks. They also considered the impact of the high inflationary environment, however this is also considered low risk given the nature of the Group's framework agreements, the majority of which have indexation mechanisms. Cash flow has been and continues to be robust, in line with management's expectations. Demand in our resilient markets remains strong and the Group has significant levels of liquidity available.

Accordingly, based on the Group's financial projections and the current expectations of the directors about the prospects of the Group and Company, the financial statements have been prepared on the going concern basis. The Company has net current liabilities of £289m and net liabilities of £128m but has access if needed to funding from its parent company M Group Services Limited, which has confirmed its intention to support the business for a period of at least twelve months from the date of approval of the financial statements.

The directors consider that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions which have been complied with. The Company is a qualifying entity as its results are consolidated into the financial statements of Minerva Equity Limited which are publicly available.

MGS Water Limited (formerly M Group Utilities Limited)

Notes to the financial statements for the year ended 31 March 2022 (continued)

3 Summary of significant accounting policies (continued)

Exemptions for qualifying entities under FRS 102 (continued)

As a qualifying entity the company has taken advantage of the following exemptions

- from preparing a statement of cash flows, as allowed by FRS 102 paragraph 1.12(b)
- from disclosing a table of financial instruments as allowed by FRS 102 paragraph 1.12(c)
- from disclosing transactions with entities that are part of the Minerva Equity Limited group where 100% of the voting rights of these entities are controlled within the group as required by FRS 102 paragraph 33.1A.
- from disclosing key management personnel compensation, as required by FRS 102 paragraph 33.7.

Consolidated financial statements

In accordance with Section 400 of the Companies Act 2006, the Company has not prepared group financial statements. The results of the Company and its subsidiaries are consolidated in the financial statements of M Group Services Limited, a company registered in England. A copy of which can be obtained from the Company Secretary, Abel Smith House, Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2ST.

Foreign currencies

Monetary assets and liabilities denoted in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies during the year are translated into local currency at the rate of exchange ruling on the dates on which the transactions occurred. All differences are taken to the profit and loss account.

The Company's functional and presentation currency is the pound sterling. Monetary amounts in these financial statements are rounded to the nearest thousand.

Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

Current tax

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

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

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions.

MGS Water Limited (formerly M Group Utilities Limited)

Notes to the financial statements for the year ended 31 March 2022 (continued)

3 Summary of significant accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

Investments

Investments held by the Company as fixed assets are stated at cost less any provision for permanent diminution in value. Investments are reviewed for impairment at each balance sheet date to determine if there is any indication of impairment. If any such indication exists, the investment's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the investment exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Provisions and contingencies

Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognised as a finance cost.

Contingencies

Contingent liabilities arising as a result of past events are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

MGS Water Limited (formerly M Group Utilities Limited)

Notes to the financial statements for the year ended 31 March 2022 (continued)

3 Summary of significant accounting policies (continued)

Financial Instruments (continued)

Financial assets (continued)

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies and preference shares, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised at transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

Share capital

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

Distributions to equity holders

Dividends and other distributions to Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the statement of changes in equity.

Related party transactions

The Company discloses transactions with related parties which are not wholly owned by the Minerva Equity Group. It does not disclose transactions with members of the Minerva Equity Group that are wholly owned.

MGS Water Limited (formerly M Group Utilities Limited)

Notes to the financial statements for the year ended 31 March 2022 (continued)

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the entity's accounting policies

There are no specific judgements that have been made that would result in a material change to the statutory financial statements.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Carrying value of investments

The Company has investments in subsidiaries and the directors periodically consider if these investments are impaired. If there is an indication of impairment then the future cash flows would be estimated, using an appropriate discount rate, in order to calculate the net present value to estimate the recoverable value.

5 Auditors' remuneration

The auditors' remuneration of £9,000 (2021: £7,010) is borne by a subsidiary undertaking, Morrison Water Services Limited.

In accordance with SI 2008/489 the Company has not disclosed the fees payable to the Company's auditors for 'Other services' as this information is included in the consolidated financial statements of M Group Services Limited.

6 Employees and directors

The Company has no employees (2021: nil).

The directors are remunerated for services to the Group as a whole and the cost is borne by a subsidiary undertaking, Morrison Water Services Limited. No recharges have been made in either the current or prior year in respect of directors' services to the Company.

MGS Water Limited (formerly M Group Utilities Limited)

Notes to the financial statements for the year ended 31 March 2022 (continued)

7 Interest payable and similar expenses

	Year ended 31 March 2022	Year ended 31 March 2021
	£'000	£'000
Interest payable - Group companies	(1,851)	(1,765)
Total interest payable and similar expenses	(1,851)	(1,765)

8 Tax on loss

	Year ended 31 March 2022	Year ended 31 March 2021
	£'000	£'000
Current tax		
UK Corporation tax credit on loss for the year	1,611	1,561

Reconciliation of tax credit

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

	Year ended 31 March 2022	Year ended 31 March 2021
	£'000	£'000
Loss before taxation	(1,852)	(1,765)
Loss multiplied by the standard UK rate of tax 19% (2021: 19%)	(352)	(335)
Transfer pricing adjustments	(1,259)	(1,226)
Tax credit for the year	(1,611)	(1,561)

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

MGS Water Limited (formerly M Group Utilities Limited)

Notes to the financial statements for the year ended 31 March 2022 (continued)

9 Investments

	Shares £'000
Cost as at 1 April 2021	151,145
Additions	22,343
Cost as at 31 March 2022	173,488

The Company holds 100% of the ordinary share capital of the following companies at 31 March 2022:

Company	Registered country	Company's equity shareholding at 31 March 2022	Principal business
Morrison Water Services Limited	England (1)	100%	Utility contracting
Morrison Utility Technologies Limited	England (1)	100%*	Technology services
M Group Services Plant & Fleet Solutions Limited	England (1)	100%*	Renting and leasing of construction and civil engineering machinery and equipment
Morrison Energy Services Limited	England (1)	100%*	Non-trading company
Pipe Restoration Services Limited	England (1)	50%**	Pipe restoration services
IDS Holdings Limited	Scotland (2)	100%	Holding company
I&C Process Solutions Limited	Scotland (2)	100%*	Technical testing & analysis
ID Systems UK Limited	Scotland (2)	100%*	Electrical installations
A1ba Control Solutions Limited	Scotland (2)	50%*	Other engineering
IDS (Integration) Limited	Scotland (2)	100%*	Non-trading company
IDS (Special Projects) Limited	Scotland (2)	100%*	Non-trading company
Z-Tech Control Systems Limited	England (1)	100%	Supply & design of instrumentation & control systems

* Not a direct subsidiary of MGS Water Limited (formerly M Group Utilities Limited)

** denotes a 50/50 joint venture indirectly held

(1) Company's registered office is: Abel Smith House, Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2ST

(2) Company's registered office is: Unit 1, Axis Park Orchardton Road, Cumbernauld, Glasgow, Scotland, G68 9LB

MGS Water Limited (formerly M Group Utilities Limited)

Notes to the financial statements for the year ended 31 March 2022 (continued)

9 Investments (continued)

Acquisition of Z-Tech Control Systems Limited

On 16 December 2021, the Company acquired 100% of the ordinary share capital of Z-Tech Control Systems Limited ("Z-Tech") for total consideration of £22,343,000. Z-Tech are an electrical control and instrumentation specialist, providing mission-critical services to the UK's water, energy, and rail industries.

10 Debtors: amounts falling due after more than one year

	At 31 March 2022	At 31 March 2021
	£'000	£'000
Amounts owed by group undertakings	29,059	29,479

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

Amounts owed by group undertakings are intended for the continuing use of the borrowing companies as part of the capital structure of those companies. As such they represent fixed assets of MGS Water Limited.

11 Debtors

	At 31 March 2022	At 31 March 2021
	£'000	£'000
Amount falling due within one year:		
Amounts owed by group undertakings	2,315	1,561
Corporation tax	1,611	-
	3,926	1,561

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

MGS Water Limited (formerly M Group Utilities Limited)

Notes to the financial statements for the year ended 31 March 2022 (continued)

12 Creditors: amounts falling due within one year

	At 31 March 2022	At 31 March 2021
	£'000	£'000
Amounts owed to group undertakings	292,176	276,751
Accruals and deferred income	414	-
	292,590	276,751

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

13 Creditors: amounts falling due after more than one year

	At 31 March 2022	At 31 March 2021
	£'000	£'000
Amounts owed to group undertakings	32,636	30,785
Other creditors – deferred purchase consideration	9,255	2,416
	41,891	33,201

The amounts owed to group undertakings accrue interest at 6% per annum and are repayable on 21 September 2026.

14 Called up share capital

	At 31 March 2022	At 31 March 2021
	£'000	£'000
Allotted and fully paid share capital is as follows:		
1,391,227 (2021:1,391,227) ordinary shares of £0.01 each	14	14

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

MGS Water Limited (formerly M Group Utilities Limited)

Notes to the financial statements for the year ended 31 March 2022 (continued)

15 Share premium account

	At 31 March 2022	At 31 March 2021
	£'000	£'000
At 31 March 2022 and 31 March 2021	1,377	1,377

The share premium account represents the price paid for the shares in excess of the nominal value of the shares.

16 Contingent liabilities

There exist cross guarantees under a group banking arrangement whereby certain group companies have guaranteed the liabilities of other group companies to their clearing banks. Net indebtedness recognised by the Company under this arrangement at 31 March 2022 was £nil (2021: £nil). Group bank debt is disclosed in the financial statements of M Group Services Limited.

17 Related party transactions

The Company has taken advantage of the exemption under FRS 102.33.1A and has not disclosed transactions with entities that are part of the Minerva Equity Limited group, where 100% of the voting rights of these entities are controlled within the Group. There were no other related party transactions in the year.

18 Controlling parties

At 31 March 2022, the Company's immediate parent undertaking was M Group Services Limited, a company registered in England and Wales.

The ultimate parent undertaking is Minerva Equity Limited, a company registered in England and Wales, whose ultimate controlling party is PAI Partners a private equity firm registered in France.

M Group Services Limited is the parent undertaking of the smallest group to consolidate these financial statements. Minerva Equity Limited is the parent undertaking of the largest group to consolidate these financial statements.

Copies of M Group Services Limited and Minerva Equity Limited consolidated financial statements can be obtained from the Company Secretary at the registered office: Abel Smith House, Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2ST.

19 Post balance sheet events

Following a strategic review of the legal structure of the Minerva Equity Limited group, on 20 May 2022 the Company acquired 100% share capital of Planned Maintenance (Pennine) Limited from fellow subsidiary PMP Utilities Limited at net book value of £2,382,000.