

Registered number: 04421197

First Water Limited

Annual report and financial statements

Year ended 31 March 2020



First Water Limited

Company Information

Directors	W Dickinson O Zahn
Company secretary	W Baker
Registered number	04421197
Registered office	997 Manchester Road Ashton-under-Lyne Greater Manchester OL7 0ED
Auditor	Deloitte LLP Statutory Auditor 2 Hardman Street Manchester, UK M3 3HF
Bankers	HSBC Bank Plc 4 Hardman Square Spinningfields Manchester M3 3EB

First Water Limited

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First Water Limited

Strategic report For the Year Ended 31 March 2020

Business review and principal activities

First Water Limited is a holding company with five 100% directly owned subsidiaries, First Water Ramsbury Limited, Crawford Manufacturing Limited, Scapa Healthcare Limited, Systagenix Wound Management Manufacturing Limited ("Systagenix") and Scapa Denver (North) Limited. First Water Limited also has an investment of 10.42% in Edixomed Limited. The Company is a subsidiary of Scapa Group plc and as such follows all Group policies.

The principal activities of its subsidiaries is the research, development and manufacture of proprietary wound care, healthcare, and consumer care products.

Review of developments and performance during the year

The Company's operating income increased by 103% to £7,316,000 (2019: £3,588,000) due to the acquisition of Systagenix during 2019. Administrative expenses increased to £35,637,000 (2019: £3,829,000) due to the impairment in investments of Crawford Manufacturing Limited £674,650 and Systagenix Wound Management Manufacturing Limited £27,337,295.

The Company delivered an operating loss totalling £28,321,000 (2019: £241,000 loss) due to the impairments above.

Net (liabilities)/assets of the Company and its subsidiary undertaking are seen as the key performance indicator of the business.

On behalf of the Company, the directors would like to thank all employees for their tremendous commitment, determination and dedication that enables the Company to maintain positive momentum.

Scapa Group plc has made a disclosure in accordance with the UK Modern Slavery Act 2015 which incorporates the requirements under the California Transparency in Supply Chains Act 2010. This can be found on the Scapa Group website at www.scapa.com/en Modern Slavery Act.

Review of position at year end

As at 31 March 2020 the Company had net liabilities of £22,676,000 (2019: £7,146,000 net assets), the movement was mainly due to the impairments discussed above and net cash and cash equivalents totalling £1,000 (2019: £17,000).

Future developments

As the Company continues to navigate through the COVID-19 pandemic it is difficult to predict how long restrictions will be in place and what recovery will look like. However, it is clear the world post-COVID-19 will be very different. The Company strategy is to position itself to react quickly to change and take advantage of opportunities as they emerge to maximise profit margin and cash flow.

Principal risks and uncertainties

The Company is a wholly owned subsidiary of Scapa Group plc. The directors of Scapa Group plc manage the Group's risks at a Group level, rather than at an individual subsidiary level. The principal risks and uncertainties of Scapa Group plc, which include those of the Company, are discussed in the business review in the Group's annual report which does not form part of this report.

Economic and political risk:

The Company's activities expose it to political and economic uncertainty, eg Brexit and trade relations, which affects market and financial stability. This is managed by; Regular risk assessments completed on macro-economic impact on key business areas, e.g. Supply Chain, Tax & People, Regulatory & Compliance requirements. The company holds ISO 13485 accreditation to the European Medical Device Directive and all products manufactured on site are classified as such. A Brexit policy has also been approved by the Board.

First Water Limited

Strategic report For the Year Ended 31 March 2020

Covid-19 risk

The COVID-19 pandemic has impacted all territories and market segments which the Company operate. The Company is operating under government control measures and has implemented furlough across the business. Despite this, operation has continued as Healthcare businesses have been classified as essential business. The Company continues to monitor government advise and respond accordingly.

Strategic risk

Innovation at competitive prices is the key to success in the advanced wound care market. Significant investment in development of new and innovative products is an ongoing activity, as is the drive to improve efficiency and take cost out of products to meet target pricing.

Liquidity risk

In order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses inter group borrowings. Scapa Group PLC has also refinanced raising an additional £15m RCF and completed a share placement raising a further £32.6m which the Company has access to as part of its inter group funding.

Operational risk

Raw material and production disruption: Key materials are dual sourced wherever possible and inventory levels are maintained at a sufficient level to prevent shortages. A close working relationship with suppliers is a key Group-wide objective. Back up tooling is held on site, machines are designed for cross-product flexibility, and operators are cross-trained. The Group runs a comprehensive preventative maintenance programme for all key plant and machinery.

Product failure: The Group operates a comprehensive set of quality control procedures both internally and for external suppliers. ISO 13485 is rigorously maintained in parallel with factory-wide lean manufacturing initiatives.

Financial risk

The Company is exposed to various financial risks: foreign exchange risk, interest rate risk and liquidity risk. Foreign exchange risk arises primarily from recognised assets and liabilities. The directors consider that there is currently no necessity for a strategy to mitigate this, as the numbers are not material to the business. As part of wider Scapa Group, the Company has access to financial support from Scapa Group plc, reducing any exposure to liquidity and interest rate risk.

Financial key performance indicators

Management uses a number of key performance indicators (KPI's) to monitor the performance of the business. The financial KPI's comprise the Net liabilities as at 31 March 20 of £22,676,000 (2019: £7,146,000 net assets).

No non-financial KPIs have been presented as there are none monitored at the First Water Limited level. Non-financial KPIs are only monitored on a Group basis.

On behalf of the board:



W Dickinson
Director

997 Manchester Road
Ashton-under-Lyne
Greater Manchester
OL7 0ED

11 December 2020

First Water Limited

Directors' report For the Year Ended 31 March 2020

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

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed subject to any material departures disclosed and explained in the financial statements;
- 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

After making due enquiries with, and after obtaining written confirmation from the Company's ultimate parent entity Scapa Group plc that they are willing to provide all necessary financial support, and after considering the results of the Group's forecasting and risk assessment process, the uncertain economic environment in which the business operates and the factors affecting the current and future performance of the overall Group as set out in its annual report, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. The Directors have also considered the impact of the planned site closure in its subsidiary company, First Water Ramsbury Limited, planned for June 2022, and do not consider this to impact the going-concern assessment for FY21. For this reason, they continue to adopt the going concern basis in preparing the financial statements – see Note 2.2. While there remains significant uncertainty as to the future impact of the COVID-19 pandemic, the Company and its ultimate parent entity continues to conduct ongoing risk assessments of the potential impact of the pandemic on its business operations and liquidity across a three-year period. The Company currently has net liabilities of £23,282,000 (31 March 2020: £22,676,000) and relies on a Group loan facility with a balance of £58,190,000 (31 March 2020: £58,003,000). In a challenging environment to forecast accurately, the Company and parent entity has updated the internal forecasts to take account of the current impact of COVID-19 and results are tracking ahead of this internal COVID-19 scenario.

First Water Limited

Directors' report (continued) For the Year Ended 31 March 2020

Matters included within Strategic report

In accordance with s414(C) (11) of the Companies Act, included in the Strategic Report is information relating to financial risk management (included within principal risks and uncertainties), principal activities, business review, key performance indicators and future developments which would otherwise be required by Schedule 7 of the 'large and medium sized companies and groups (accounts and reports) regulation 2008' to be contained in a Director's Report.

Directors' indemnities

Qualifying third party indemnity provisions, as defined in section 234 of the Companies Act 2006, are in force for the benefit of Directors who held office during the year. The Company maintains Directors and Officers liability insurance for the Group's Directors and Officers.

Directors

The directors who held office during the year and thereafter unless otherwise stated, were as follows:

W.Dickinson	Executive director
O Zahn	Executive director

Dividends

No dividend was paid during the year (2019: £Nil). The directors do not recommend a payment of an ordinary dividend. (2020: same).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

The onset of COVID-19 pandemic in February will have a greater impact on FY21 than it did on FY20, so as the Company navigates through the COVID-19 pandemic it is difficult to predict how long restrictions will be in place and what recovery will look like. However, it is likely that the world post-COVID-19 will be very different. The Company strategy, aligned to that of its ultimate parent company Scapa Group plc, is to position itself to react quickly to change and take advantage of opportunities as they emerge to maximise results.

First Water Limited

Directors' report (continued) For the Year Ended 31 March 2020

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

On behalf of the board:



W Dickinson
Director

997 Manchester Road
Ashton-under-Lyne
Greater Manchester
OL7 0ED

11 December 2020

First Water Limited

Independent auditor's report to the shareholders of First Water Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of First Water Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31st March 2020 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 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

First Water Limited

Independent auditor's report to the shareholders of First Water Limited (continued)

Other information

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

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

We have nothing to report in respect of these matters.

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.

First Water Limited

Independent auditor's report to the shareholders of First Water Limited (continued)

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 has/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.

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.



Christopher Robertson (Senior statutory auditor)

for and on behalf of

Deloitte LLP

Statutory Auditor

Manchester, UK.

11 December 2020

First Water Limited

Profit and loss account For the Year Ended 31 March 2020

	Note	2020 £000	2019 £000
Operating income	4	7,316	3,588
Administrative expenses		(35,637)	(3,829)
Operating Loss		(28,321)	(241)
Adjusted operating loss*		(164)	(241)
Exceptional costs	7	(28,157)	-
Operating loss		(28,321)	(241)
Net finance costs	8	(1,238)	(1,226)
Income from shares in group undertakings		-	3,587
(Loss) / profit before tax		(29,559)	2,120
Taxation (charge) / credit	9	(263)	265
(Loss) / profit for the year		(29,822)	2,385

**Loss before tax, interest and exceptional items*

There were no other items of comprehensive income for 2020 or 2019 other than those included in the profit and loss account. Accordingly, no separate Statement of Comprehensive Income has been presented.

The notes on pages 12 to 26 form part of these financial statements.

Revenue and operating profit are all derived from continuing operations.

First Water Limited

Balance sheet As at 31 March 2020

		Note	2020 £000	2019 £000
Non-current assets				
Property, plant and equipment		10	1,869	2,088
Investments		11	59,218	70,869
Long term loan to subsidiary		13	4,007	4,007
			<u>65,094</u>	<u>76,964</u>
Current assets				
Trade and other receivables	13	13	2,730	4,190
Cash and cash equivalents			1	17
Current tax receivable	8		-	262
			<u>2,731</u>	<u>4,469</u>
Total assets			<u>67,825</u>	<u>81,433</u>
Current liabilities				
Trade and other payables	14	14	(7,336)	(21)
Other provisions		15	(7,176)	(7,176)
			<u>(14,512)</u>	<u>(7,197)</u>
Non-current liabilities				
Long-term borrowings	15	16	(58,003)	(41,928)
Long-term provisions		15	(17,939)	(25,115)
Deferred tax liabilities	12	13	(47)	(47)
			<u>(75,989)</u>	<u>(67,090)</u>
Total liabilities			<u>(90,501)</u>	<u>(74,287)</u>
Net (liabilities)/assets			<u>(22,676)</u>	<u>7,146</u>
Equity				
Share capital	16	17	104	104
Revaluation reserve			129	129
Retained earnings			(22,909)	6,913
Total shareholder's (deficit)/funds			<u>(22,676)</u>	<u>7,146</u>

First Water Limited

Balance sheet (continued) As at 31 March 2020

The financial statements of First Water Limited (registered number 04421197) were approved and authorised for issue by the board and were signed on its behalf on 11 December 2020.



W Dickinson
Director

The notes on pages 12 to 26 form part of these financial statements.

First Water Limited

Statement of changes in equity For the Year Ended 31 March 2020

	Revaluation reserve £000	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 April 2018	134	104	4,523	4,761
Profit for the year and total comprehensive income	-	-	2,385	2,385
Transfer on realisation of previous revaluation	(5)	-	5	-
Balance at 31 March 2019	129	104	6,913	7,146
Loss for the year and total comprehensive expense	-	-	(29,822)	(29,822)
Balance at 31 March 2020	129	104	(22,909)	(22,676)

The notes on pages 12 to 26 form part of these financial statements.

First Water Limited

Notes to the financial statements For the Year Ended 31 March 2020

1 General information

Systagenix Wound Management Manufacturing Limited ('the Company') is a private company limited by shares, incorporated in England, United Kingdom under the Companies Act. The address of the registered office is given within the Company information section of this report. The nature of the Company's operations and its principal activities are set out in the strategic report on page 4.

2 Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" and the Companies Act 2006.

The functional currency of the Company is considered to be pounds sterling. Items included in these financial statements are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account unless forward contract hedging's are in place.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

As permitted by FRS101, the company has taken advantage of the disclosure exemptions available under that standard in relation to standards not yet effective, presentation of a cash-flow statement, presentation of comparative information in respect of certain assets, financial instruments, key management personnel, pension scheme deficit sensitivities and related party transactions.

Where relevant, equivalent disclosures have been given in the accounts of Scapa Group plc. The group accounts of Scapa are available to the public and can be obtained as set out in note 22.

Adoption of new and revised Standards

The following new standard has been adopted in the year

IFRS 16 Leases

The standard was adopted on 1 April 2019 replacing IAS 17 Leases and eliminates the classification of leases as either operating leases or finance leases and requiring the recognition of a right-of-use asset and a lease liability at the commencement for all leases, except for short-term leases and leases of low value assets. The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. There was no impact on adoption.

2.2 Going concern

After making due enquiries with, and after obtaining written confirmation from the Company's ultimate parent entity Scapa Group plc that they are willing to provide all necessary financial support, and after considering the results of the Group's forecasting and risk assessment process, the uncertain economic environment in which the business operates and the factors affecting the current and future performance of the overall Group as set out in its annual report, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on page 3, including the assessment of the impact of the COVID-19 pandemic on the Company.

First Water Limited

Notes to the financial statements (continued) For the Year Ended 31 March 2019

2 Accounting policies (continued)

2.3 Basis of consideration

The company has taken advantage of the exemption provided by section 400 of the Companies Act 2006 not to prepare group financial statements on the grounds that the group financial statements are prepared by the parent company Scapa Group Plc, see details in note 20.

2.4 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 translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement.

2.5 Property, plant and equipment

Property is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The fixed asset valuation as at the Company's original transition date to FRS101 was taken as deemed cost and is depreciated from that point on.

Where parts of an item of property have different useful lives, they are accounted for as separate items of property.

Depreciation is charged to the Profit and Loss on a straight-line basis over the estimated useful lives of each part of an item of property. Land is not depreciated. The depreciation rates are as follows:

Buildings	3 – 50 years
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Depreciation methods, useful lives and residual values are reviewed at each reporting date.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Profit and loss account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment. Investments in listed company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.7 Impairment

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that have an indefinite useful life, or that are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

First Water Limited

Notes to the financial statements (continued) For the Year Ended 31 March 2020

2 Accounting policies (continued)

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.8 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

2.9 Provisions

A provision is recognised in the Balance sheet when the Company has a present legal or constructive obligation as a result of a past event that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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.

2.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2.11 Operating income

Operating income comprises the fair value received or receivable in respect of the provision of services to other Group Companies, and rental income, net of value added tax. Operating income is recognised in the Statement of Comprehensive Income in the period in which the revenue becomes receivable.

2.12 Expenses

Net financing costs

Net financing costs comprise interest payable, finance charges on finance leases, interest receivable on funds invested, dividend income, foreign exchange gains and losses.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the Income Statement on the date the entity's right to receive payments is established.

Foreign exchange gains and losses are reported on a net basis.

2.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

First Water Limited

Notes to the financial statements (continued) For the Year Ended 31 March 2020

2 Accounting policies (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash Equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily converted to known amounts of cash with insignificant risk of change in value.

2.14 Financial Instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

2.16 Financial Assets – loans and receivables

Loans, receivables and payables are non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor or creditor with no intention of trading the receivable or payable. They are included in current assets or liabilities, except for maturities greater than 12 months after the Balance Sheet date. These are classified as non-current assets or liabilities. Loans and receivables are included in trade and other receivables or trade and other payables in the Balance Sheet. Loans, receivables and payables are measured at invoice or historical cost less any impairment.

First Water Limited

Notes to the financial statements (continued) For the Year Ended 31 March 2020

2 Accounting policies (continued)

2.17 Creditors

Creditors are measured at the transaction price or invoice amount, which is equal to their fair value.

2.18 Finance Costs

Finance costs are charged to the Profit and Loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical judgements in applying the Company's accounting policies

Carrying value of investments in subsidiaries – the assessment of the discounted cash flows and the key inputs into the future forecasts for the overall Scapa Group involve judgment in respect of the current and future trading performance of the relevant Group undertakings/counterparties and the overall present value of the investments throughout the Group to support the fair value of the investments held.

4 Other operating income

	2020 £000	2019 £000
Operating income	7,316	3,588

First Water Limited

Notes to the financial statements (continued) For the Year Ended 31 March 2020

5 Expenses and auditor's remuneration

Operating profit / loss is stated after charging:

	2020 £000	2019 £000
Depreciation of tangible fixed assets: Owned by the company	74	86

Auditor's remuneration:

	2020 £000	2019 £000
Amounts receivable by the auditor in respect of: Audit of financial statements	21	21

There were no non audit fees paid to the auditor (2019: same). First Water Limited now also bears the cost of the audit on behalf of First Water Ramsbury Limited.

6 Directors' emoluments

In the current year all directors were remunerated through another Group company and their costs were not recharged as no practical allocation could be made. Details of Group directors remuneration is disclosed in the accounts of Scapa Group Plc.

7 Exceptional items

	2020 £000	2019 £000
Investment impairment	28,012	-
Fixed asset impairment	145	-
	28,157	-

The carrying value of the Company's investments is tested for impairment at March 2020. As a result of this test an impairment has been booked for the investment Systagenix Wound Management Manufacturing Limited for £27,337,295 (2019: £nil) and Crawford Manufacturing Limited for £674,650 (2019: £nil).

The recoverable amount has been determined on a value-in-use basis using the management approved twelve-month forecast. Given the timing of the onset of the COVID-19 pandemic, the forecasts were also adjusted to take account of any potential impact on the future cash flows.

The fixed asset impairment of £145,000 was as a result of the loss of a customer.

First Water Limited

Notes to the financial statements (continued) For the Year Ended 31 March 2020

8 Finance expense

	2020 £000	2019 £000
Interest payable to group companies	(1,238)	(1,226)
Financial expenses	(1,238)	(1,226)

9 Taxation

Recognised in the Income Statement

	2020 £000	2019 £000
Current tax		
Current year	-	(262)
Prior year	262	-
Total current tax	262	(262)
Deferred tax		
Deferred tax charge/(credit) - origination and reversal of timing differences (note 12)	1	(3)
Total deferred tax	-	(3)
Total tax charge/(credit) in Profit and loss account	263	(265)

Reconciliation of effective tax rate

The tax for the year is higher (2019: higher) than the UK standard rate of corporation tax of 19% (2019: 19%). The differences are explained as follows:

	2020 £000	2019 £000
Loss before tax	(1,548)	(1,467)
Tax using the UK corporation tax rate of 19% (2019: 19%)	(5,616)	(280)
Non tax deductible impairments	5,322	-
Non-deductible expenses	157	15
Tax losses not recognised	138	-
Prior year adjustment	262	-
Total tax charge / (credit) profit and loss account	263	(265)

First Water Limited

Notes to the financial statements (continued) For the Year Ended 31 March 2020

9 Taxation (continued)

A deferred tax rate of 19% has been applied to opening balances and movements in deferred tax in the year ended 31 March 2020 as the substantially enacted reduction in the UK corporation tax rate has been retracted in the Finance Bill 2020. There is no expiry date on timing difference, unused tax losses or tax credits.

10 Property, plant and equipment

	Land and buildings £000
Cost	
Balance at 1 April 2019	3,311
Balance at 31 March 2020	3,311
Depreciation	
Balance at 1 April 2019	1,223
Impairment	145
Depreciation charge for the year	74
Balance at 31 March 2020	1,442
Net book value	1,869
At 31 March 2020	
At 31 March 2019	2,088

Included in land and buildings is freehold land at cost of £431,000 (2019: £431,000) which is not depreciated.

*The fixed asset impairment of £145,000 was a result of the loss of a customer.

11 Investments in subsidiaries

The Company has the following investments in subsidiaries:

	£000
Cost and valuation	
At 31 March 2019	70,834
Additions	16,361
Impairments	(28,012)
At 31 March 2020	59,183
Net book value	
At 31 March 2019	70,834
Additions	16,361
Impairments	(28,012)
At 31 March 2020	59,183

First Water Limited

Notes to the financial statements (continued) For the Year Ended 31 March 2020

Subsidiary undertakings

The company has investments in the following subsidiary undertakings:

	Country of Incorporation	Class of shares held	Proportion of ownership
First Water Ramsbury Limited (Development and manufacture of hydrogels) The registered office of First Water Ramsbury Limited is 997 Manchester Road, Ashton-under-Lyne, Greater Manchester, OL7 0ED.	UK	Ordinary	100%
Systagenix Wound Management Manufacturing Limited (Manufacture of professional wound care products) The registered office of Systergenix Wound Management Manufacturing Limited is 997 Manchester Road, Ashton-under-Lyne, Greater Manchester, OL7 0ED.	UK	Ordinary	100%
Crawford Manufacturing Limited (Manufacture of basic pharmaceutical products) The registered office of Crawford Manufacturing Limited is 997 Manchester Road, Ashton-under-Lyne, Greater Manchester, OL7 0ED.	UK	Ordinary	100%
Scapa Healthcare Limited (Non-trading company) The registered office of Scapa Healthcare Limited is 997 Manchester Road, Ashton-under-Lyne, Greater Manchester, OL7 0ED.	UK	Ordinary	100%
Scapa Denver (North) Limited (Intermediate holding company) The registered office of Scapa Healthcare Limited is 997 Manchester Road, Ashton-under-Lyne, Greater Manchester, OL7 0ED.	UK	Ordinary	75%

On 1 July 2019 the Company acquired 100% of the share of Crawford Manufacturing Limited.

On 22 November 2019 the Company acquired 75% of the shares of Scapa Denver (North) Limited.

The carrying value of the Company's investments is tested for impairment at March 2020. As a result of this test an impairment has been booked for the investment in Systagenix Wound Management Manufacturing Limited for £27,337,295 (2019: £nil) and Crawford Manufacturing Limited for £674,650 (2019: £nil).

The recoverable amount has been determined on a value-in-use basis using the management approved twelve-month forecast. Given the timing of the onset of the COVID-19 pandemic, the forecasts were also adjusted to take account of any potential impact on the future cash flows.

First Water Limited

Notes to the financial statements (continued) For the Year Ended 31 March 2020

11 Investments in associates

	£000
Cost	
At 1 April 2019 and 31 March 2020	35
Net book value	
At 1 April 2019 and 31 March 2020	35

	Country of Incorporation	Class of Shares held	Proportion of ownership
EdixoMed Limited (Management of clinical development of biopharmaceutical products)	UK	Ordinary	10.42%

The registered office of EdixoMed Limited is 10 Lochside Place, Edinburgh Park, Edinburgh, EH12 9RG.

First Water Limited

Notes to the financial statements (continued) For the Year Ended 31 March 2020

12 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Liabilities 2020 £000	2019 £000
Property, plant and equipment	(19)	(20)
Revaluation reserve	(28)	(27)
	<hr/>	<hr/>
Tax liabilities	(47)	(47)
	<hr/>	<hr/>
Net tax liabilities	(47)	(47)
	<hr/>	<hr/>

Movement in deferred tax during the year

	1 April 2019 £000	Recognised in income £000	31 March 2020 £000
Property, plant and equipment	(20)	1	(19)
Revaluation reserve	(27)	(1)	(28)
	<hr/>	<hr/>	<hr/>
	(47)	-	(47)
	<hr/>	<hr/>	<hr/>

Movement in deferred tax during the prior year

	1 April 2018 £000	Recognised in income £000	31 March 2019 £000
Property, plant and equipment	(23)	3	(20)
Revaluation reserve	(27)	-	(27)
	<hr/>	<hr/>	<hr/>
	(50)	3	(47)
	<hr/>	<hr/>	<hr/>

First Water Limited

Notes to the financial statements (continued) For the Year Ended 31 March 2020

13 Trade and other receivables

	2020 £000	2019 £000
Non-Current Assets		
Long term loan to subsidiary	4,007	4,007
Current assets		
Intra-group receivable	2,730	4,190
	6,737	4,190

Long term loan to subsidiary is unsecured, interest free and has no fixed date of repayment.

Current assets are expected to be recovered in the next 12 months.

14 Trade and other payables

	2020 £000	2019 £000
Amounts owed to group companies	(7,316)	-
Other payables and accrued expenses	(20)	(21)
	(7,336)	(21)

The amounts owed to group companies does not attract interest and is repayable on demand.

First Water Limited

Notes to the financial statements (continued) For the Year Ended 31 March 2020

15 Provisions

Current provisions	2020 £000	2019 £000
Contract liability provision	(7,176)	(7,176)
	<u>(7,176)</u>	<u>(7,176)</u>
Non-current provisions	2020 £000	2019 £000
Contract liability provision	(17,939)	(25,115)
	<u>(17,939)</u>	<u>(25,115)</u>

On 1 October 2018 the Company acquired 100% of the share capital of Systagenix Wound Management Manufacturing Ltd. Scapa has entered into a five-year exclusive Manufacturing Supply Agreement with Acelity for Systagenix advanced wound care products which expands Scapa's existing partnership with Acelity. This agreement has been treated as part of the consideration for the acquisition, and a contract liability provision has been recognised at fair value based on the principles of IFRS 15. At 31 March 2020 a current provision of £7,176,000 (2019: £7,176,000), and non-current provision of £17,939,000 (2019: £25,115,000m) has been recognised on balance sheet for this contract liability provision.

16 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings.

	2020 £000	2019 £000
Non-current liabilities		
Amounts due to Group undertakings	(58,003)	(41,928)
	<u>(58,003)</u>	<u>(41,928)</u>

Amounts owed to Group undertakings by the company are due for repayment by 27 February 2025. They are unsecured and interest is payable at an interest rate of LIBOR (2019: 6.25%), as varied from time to time.

First Water Limited

Notes to the financial statements (continued) For the Year Ended 31 March 2020

17 Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
1,040,000 ordinary shares of 10p each	104	104

The Company has one class of ordinary shares.

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.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes in 2020 (2019: none).

18 Related parties

The pension scheme is a related party to the Company; there were no contributions outstanding at the year end. The Company is exempt under the terms of FRS 101 paragraph 8(j) from disclosing related party transactions entered into between two or more members of a group provided that any subsidiary which is party to a transaction is wholly owned by a member. There are no other related party transactions.

19 Capital and other commitments

The Company had no contracts placed for capital expenditure not provided for in the financial statements (2019: Same).

20 Ultimate controlling party

The immediate and ultimate parent undertaking and controlling party is Scapa Group plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of Scapa Group plc may be obtained from its registered office, from the Company Secretary, Scapa Group plc, Manchester Road, Ashton Under Lyne, Greater Manchester, United Kingdom, OL7 0ED.

21 Events after the reporting date

The outbreak of COVID-19 was confirmed to be a global pandemic by the World Health Organisation on the 11 March 2020 and only after this date did major governments, such as the UK, start taking significant mitigating steps. The full impact of COVID-19 pandemic on medium and long-term economic activity is not yet known, however the Company continues to monitor the impact on its business through assessment of the overall forecasting and risk assessment process by its ultimate parent entity, Scapa Group plc, and the associated impact on the Company.