Company Registration Number: 06157827

Hero UK Limited

Annual Report and Financial Statements

31 December 2018

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Corporate information

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J Mitchell

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Strategic report (continued)

for the year ended 31 December 2018

The directors of Hero UK Limited ("the Company") present the Strategic report, Directors' report and the financial statements for the year ended 31 December 2018.

Review of the business and future developments

The principal activity of the company during the year continued to be of the distribution of gluten free and low protein nutritional products.

The key financial and other performance indicators during the year were as follows:

	2018 £'000	2017 £'000	Change %
Turnover	10,108	12,317	-17.93%
Gross profit	6,402	3,637	76.02%
Profit after tax	2,397	339	607.08%
Equity shareholders' funds	8,192	5,795	41.36%
Current assets as a % of current liabilities ('quick ratio')	8.37	3.15	165.71%
Average number of employees (Note 5)	49	29	68.97%

Turnover in the year was down 17.93% from the prior year. This reduction in turnover was mainly due to some Clinical Commissioning Groups (CCG's) stopping or reducing the number of units and products available on prescription. In restricted areas, the products have been limited to just bread and mix products. Profit after tax has increased from the prior year, this is due to the change in business model of Hero UK from a limited risk distributor to full distributor of Juvela products. This change resulted in lower product costs by sourcing direct rather than via the Group arrangement which had previously included a mark-up. Also towards the end of 2017, Hero UK acquired the bakery assets of Bread Europe Limited. This allowed for the in-house manufacture of our own bread products. Further investment in the manufacturing site has taken place in 2018 (see Note 7) to allow further in-house production of products previously sourced from 3rd party suppliers. These changes have all resulted in an increase in profit after tax, increase in shareholders' funds and lower creditor balances resulting in an improved 'quick ratio'. The increase in average number of employees is due to the new roles created within our bakery site and additional roles being created within the Head Office team.

The business of Hero UK is dependent upon the marketing and the distribution of Hero's Juvela branded products. The Juvela business model of marketing and supplying gluten free and low protein products on prescription for people with diagnosed coeliac disease or metabolic disorders has been in existence for over 20 years and follows a well-established distribution route.

Juvela supplies gluten free and low protein products to pharmaceutical wholesalers in the UK and Republic of Ireland, plus the use of a retail marketing and distribution company to supply gluten free products to major retail outlets in Ireland.

Review of the business and future developments (continued)

The income stream from wholesalers in the English market has been impacted upon during the year due to the CCG restrictions on gluten free products available on prescription. This has only impacted sales within England and has no impact on Scotland, Wales and Northern Ireland.

One key growth area for the Juvela brand is for gluten free products where the driver in the Scottish and Welsh market is the number of new patients with coeliac disease (the disease can only be treated through a gluten free diet) obtaining gluten free products on prescription. The number of people with coeliac disease has continued to increase year on year and there is still a substantial degree of under diagnosis and General Practitioners are being encouraged to undertake diagnosis amongst targeted population groups.

In recent years, there has been an increase in gluten free products available for purchase in UK retail outlets (under free-from foods). Whilst this has benefitted coeliac patients in terms of choice and supplying more non-basic products, the core market for these retail products is for those people who think products which are labelled gluten free are 'healthy' and hence they are chosen for lifestyle reasons. There is also some limited scientific evidence that a small percentage of the population may be classified as gluten sensitive rather than have coeliac disease, currently the only means for this population group to obtain products is through the retail sector. However the growth in the retail 'free-from' market has opened up a more competitive market as some retail suppliers have looked to introduce products into the reimbursed prescription market.

The growth in the retail market per se should not limit the growth in the prescription market but alongside any localised guidelines, the overall market value is decreasing in the prescription market. There has been some pressure in the gluten free prescription market to reduce individual prescription levels and costs in line with standard or local guidelines. This has had some impact during the year as Clinical Commissioning Groups, as part of an overall programme of expenditure reduction on medical therapies, have been looking to ensure patients receive product types and quantities in line with national or local guidelines and for the condition for which they should be prescribed.

Juvela has a substantial position in the gluten free prescription market with >50% market share which has been achieved through a combination of marketing activities and product introductions. We continued to develop our prescription presence in the Gluten free market by introducing new products, improving the quality and nutritional profiles of our existing products and maximising the synergies that exist with our customer database. We have also continued to expand the range and distribution of products in the Irish retail market.

In addition to growing through supplying an increasing coeliac patient population, the business has needed to ensure a continual supply of quality products and to look at areas for product development. Contracts are in place with all our suppliers to ensure either exclusivity of supply or exclusivity of the recipe used. Relationships with our suppliers have been in place for several years and we work closely with them to maintain product quality.

The strategic direction of the business is consistently reviewed on a regular basis by management and we recognised a need to strengthen our position within the UK prescription market, grow our presence in the UK and Irish retail sector and to investigate other potential revenue streams. We also

Strategic report (continued)

for the year ended 31 December 2018

Review of the business and future developments (continued)

recognised that healthcare professionals and Clinical Commissioning Groups were becoming increasingly involved in the decision making process and we have implemented plans to improve our

communication with these key audiences both as Juvela and through our membership with the BSNA (British Specialist Nutrition Association).

Principal risks and uncertainties

The principal risks and uncertainties facing the company are broadly grouped as environmental, competitive and legislative risks.

Environmental Risks

The products sold by the group have minimal environmental impact. The directors put environmental responsibilities high on the agenda and as a consequence formed an environmental task force whose main aim is to reduce the company's carbon footprint with the help of the third party supply chain.

Competitive Risks

Juvela operates in the UK pharmaceutical market and UK & Irish retail market. Within the UK, the main Juvela prescription ranges are only available on prescription. As a consequence the ability to trade is limited to those suppliers who meet strict regulatory requirements creating barriers to entry. Some UK retail gluten free suppliers have looked to introduce products into the UK reimbursed prescription market however Juvela is still the leading provider of gluten free products on prescription in the UK with >50% of the market.

Legislative Risks

Juvela products are subject to food standards legislation. The company must ensure that Juvela products meet the criteria for their gluten free nutritional status, similarly for the Low Protein range.

Exposure to Price, Credit, Liquidity and Cash Flow Risk

The company has a risk of raw material price increases on its inputs. There is no significant credit risk to the company as the majority of customers are large multinationals with significant credit ratings. Cash flow risk is the risk of exposure to variability in cash flows. This is not deemed a risk for the company as the business experiences very little seasonality fluctuations and also has good working capital performance.

Brexit Risk

We have carefully considered risks which may arise in relation to Brexit but believe we have appropriate plans in place to address and mitigate which has included the relocation of our manufacturing site to the UK.

Approved by the Board on 19-09-2019 and signed on its behalf by:

J Mitchell
Director

Directors' report

for the year ended 31 December 2018

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

Principal activity

The principal activity of the company in the year was the distribution of gluten free and low protein nutritional products. Please see the business review within the Strategic report on pages 3-5 and the going concern statement below for details of the ongoing Juvela business.

Directors and their interests

The directors who held office during the full year ended 31 December 2018 are given on page 2.

Dividends

The directors have paid a dividend of £nil in relation to the year ended 31 December 2018 (2017: £nil). The directors do not recommend the payment of a dividend.

Events since the balance sheet date

There have been no events since the balance sheet date to note.

Going Concern and Liquidity Risk

The company's business activities together with factors likely to affect its future development, performance and position are set out in the Strategic report on pages 3 to 5. The financial position of the company, its cash flows and liquidity are set out in the Strategic report. The company is expected to generate positive cash flow on its own account for the foreseeable future.

The financial statements detail the company's objectives to managing the principal risks to the business including exposure to price, credit, liquidity and cash flow. The company has in itself a considerable cash resource together with two distinctive customer groups both with potential for growth due to an increase in customer numbers and product development opportunities across a variety of distribution channels. As a consequence the directors believe the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has sufficient resources and adequate contracts in place to continue as a going concern for the foreseeable future.

Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

EY LLP were reappointed as auditors on 19th September 2019.

On behalf of the Board

J Mitchell
Director
19th September 2019

Directors' responsibility statement

for the year ended 31 December 2018

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 the directors have elected to prepare the financial statements in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. 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 the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

Independent auditors' report
to the members of Hero UK limited

Opinion

We have audited the financial statements of Hero UK Limited for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Other information (continued)

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

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, 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.

Independent auditors' report
to the members of Hero UK limited

Auditor's responsibilities for the audit of the financial statements (continued)
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Ernst & Young LLP

Julian Yates (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
20 September 2019

Income statement
for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Turnover	2	10,108	12,317
Cost of sales		(3,706)	(8,680)
Gross profit		6,402	3,637
Distribution costs		(802)	(891)
Administrative costs		(2,643)	(2,323)
Operating Profit	3	2,957	423
Profit on ordinary activities before taxation		2,957	423
Tax on profit on ordinary activities	6	(560)	(84)
Profit for the financial year		**2,397**	**339**

All items dealt with in arriving at the profit on ordinary activities before taxation relate to continuing operations.

There was no other comprehensive income in the periods presented; therefore no statement of other comprehensive income has been prepared. Total comprehensive income is equal to profit for the year in the periods presented.

The notes on pages 14-25 are an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2018

	Called up share capital £'000	Capital Contribution £'000	Profit and loss account £'000	Total Equity £'000
At 1 January 2017	-	11,427	(5,971)	5,456
Profit for the year	-	-	339	339
At 31 December 2017	-	11,427	(5,632)	5,795
Profit for the year	-	-	2,397	2,397
At 31 December 2018	-	11,427	(3,235)	8,192

Statement of financial position
as at 31 December 2018

	Notes	2018	2017
		£'000	£'000
Fixed assets			
Tangible assets	7	950	342
Investments	8	15,086	15,086
		16,036	**15,428**
Current assets			
Stocks	9	239	179
Debtors:	10		
amounts falling due within one year		2,375	2,923
amounts falling due after one year		5	29
		2,380	2,952
Cash at bank and in hand		5,605	4,855
		8,224	**7,986**
Creditors: amounts falling due within one year	11	(982)	(2,533)
Net current assets		**7,242**	**5,453**
Total assets less current liabilities		**23,278**	**20,881**
Creditors: amounts falling due after more than one year	12	(15,086)	(15,086)
Net assets		8,192	5,795
Capital and reserves			
Called up share capital	15	-	-
Capital contribution		11,427	11,427
Profit and loss account		(3,235)	(5,632)
Total Equity		**8,192**	**5,795**

The notes on pages 14-25 form part of these financial statements.

These financial statements were approved by the Board of directors on 19-09-2019 and were signed on its behalf by:

J Mitchell
Director

Notes to financial statements

for the year ended 31 December 2018

1. Accounting policies

a) Statement of compliance

Hero UK Limited is a private company limited by shares incorporated in United Kingdom, registration number 06157827. The registered office is 19 De Havilland Drive, Liverpool, L24 8RN.

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 December 2018. (2017 : same)

b) Basis of preparation

The financial statements of Hero UK Limited were authorised for issue by the Board of Directors on 19-09-2019. The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards. The financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest pound in thousands (£).

The company's business activities and financial performance are set out in the Strategic report and Directors' report on pages 3-6. The directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries the directors have a reasonable expectation that the company have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

Disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 102:

i) a reconciliation of the number of shares outstanding at the beginning and end of the period. (FRS 102 p4.12(a)(iv));
ii) the requirement to prepare a statement of cash flows. (section 7 of FRS 102 and p3.17(d));
iii) certain financial instrument disclosures, providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated. In addition the company law disclosures are still required;
iv) the non-disclosure of key management personnel compensation in total.
v) the requirements of Section 33 Related Party Disclosures paragraph 33.7.

The accounting policies which follow in note 1(d) set out those policies which apply in preparing the financial statements for the year ended 31 December 2018.

c) Basis of consolidation

These financial statements present information about the company as an individual undertaking and not about its group.

Group financial statements have not been prepared as permitted by Sections 400 / 401 of the Companies Act 2006, which exempt companies wholly owned by another from the obligation to prepare group financial statements. In applying this exemption the company is relying upon the published financial statements of its ultimate parent company, AOH Nahrungsmittel GmbH & Co. KG, which is incorporated in Germany.

Notes to financial statements (continued)

for the year ended 31 December 2018

1. Accounting policies (continued)

d) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) and key sources of estimation uncertainty that have the most significant effect on amounts recognised in the financial statements:

Taxation

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 6.

e) Significant accounting policies

Tangible Assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing parts of the tangible assets directly attributable to making the asset capable of operating as intended.

Depreciation is calculated so as to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows:

	Basis	Years
Computers	Straight line	3 - 5
Plant and machinery	Straight line	5 -10

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of fixed assets below depreciated historical cost is charged to the profit and loss account.

Goodwill and intangible assets

Positive goodwill acquired on each business combination is capitalised, classified as an asset on the statement of financial position and amortised on a straight line basis over its useful life.

The carrying value of all goodwill is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of goodwill is charged to the profit and loss account.

If a subsidiary, associate or business is subsequently sold or discontinued, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or discontinuance.

Notes to financial statements (continued)

for the year ended 31 December 2018

1. Accounting policies (continued)

e) Significant accounting policies (continued)

Goodwill and intangible assets (continued)

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets acquired as part of an acquisition are not recognised where they arise from legal or other contractual rights, and where there is no history of exchange transactions. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period previous estimates shall be reviewed and, if current expectations differ the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax.

The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Accruals and deferred income

Accruals and deferred income comprise expenses relating to the current year which will not be paid until after the balance sheet date and income received in advance, relating to the following year. Accruals and deferred income are recognised at the transaction price.

Investments in subsidiaries

The investments in subsidiaries are stated in the balance sheet of Hero UK Limited at cost less impairment.

Notes to financial statements (continued)
for the year ended 31 December 2018

1. Accounting policies (continued)

e) Significant accounting policies (continued)

Basic Financial instruments

(a) Financial assets
Basic financial assets represents stocks, trade debtors including amounts due by group undertakings; and cash and bank balances are initially recognised at transaction price. At 31 December 2018, the company had only financial assets classified as basic financial instruments. Debtors receivable in less than one year are recorded at transaction price.

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.

(b) Financial liabilities
Basic financial liabilities represents creditors including amounts owed to group undertakings are initially recognised at transaction price. At 31 December 2018, the company had financial liabilities classified as basic financial liabilities.

Creditors 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Amount owed to group undertakings which are basic financial instruments are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently, they are 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.

(c) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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 the liability simultaneously.

Income Tax
(a) Current income tax

Corporation tax payable is provided on taxable profits at current rates.

1. **Accounting policies (continued)**

(e) Significant accounting policies (continued)

Income Tax (continued)

(b) Deferred taxation

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leases

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Assets held under operating leases, which are leases where substantially all the risks and rewards of ownership of the asset remain with the lessor. Rentals payable under operating leases are charged against profits on a straight-line basis over the period of the lease.

Foreign currencies

Transactions denominated in foreign currencies are initially recorded in the entity's functional currency i.e., sterling by applying the spot exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Pension scheme arrangements

The Company operates a defined contribution pension scheme. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. The company recognised the contribution payable for a period:

- As a liability, after deducting any amount already paid.

- As an expense, unless requires the cost to be recognised as part of the cost of an asset such as stocks or tangible assets.

Notes to financial statements (continued)
for the year ended 31 December 2018

2. Turnover and segmental analysis

The turnover of Hero UK Limited represents amounts invoiced in respect of oral nutrition products sold during the period, gluten free plus a low protein range, excluding value added tax.

An analysis of gross turnover and trade discounts is as follows:

	2018 £'000	2017 £'000
Total sales of goods	11,835	14,398
Trade discounts	(1,727)	(2,081)
Net turnover	**10,108**	**12,317**

Net turnover is analysed by geographical area as follows:

	2018 £'000	2017 £'000
UK	9,376	11,501
Ireland	732	816
Net turnover	**10,108**	**12,317**

3. Operating Profit

	2018 £'000	2017 £'000
Profit on ordinary activities is stated after charging:		
Operating lease rentals		
- Land & buildings	68	48
- Other assets	18	57
Auditors' remuneration (note 4)	35	21
Depreciation of owned fixed assets	50	21
Asset under construction written off	-	48
Foreign exchange differences	3	44

4. Auditor's remuneration

	2018 £'000	2017 £'000
Audit of the financial statements	35	21
	35	**21**

5. Staff costs

a) Staff costs

	2018	2017
	£'000	£'000
Wages and salaries	1,788	1,084
Social security costs	168	123
Other pension costs	104	50
	2,060	1,257

The average monthly number of employees (including directors) during the year was made up as follows:

	2018	2017
	No.	No.
Administration	23	20
Manufacturing	26	9
	49	29

b) Directors' remuneration

	2018	2017
	£'000	£'000
Aggregate remuneration in respect of qualifying services	242	235
Pension contributions	12	12
	254	247

6. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2018	2017
	£'000	£'000
Current Tax:		
UK Corporation tax at 19.00% (2017: 19.25%)	(537)	(90)
Adjustment in respect of previous period	1	-
Deferred tax:		
Origination and reversal of timing differences	(26)	7
Adjustment in respect of previous periods	1	-
Effect of changes in tax rates	1	(1)
Tax on profit on ordinary activities (note 6 (b))	(560)	(84)

6. Tax (continued)

(b) Factors affecting the total tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2017: higher) than the standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%). The differences are reconciled below:

	2018	2017
	£'000	£'000
Profit on ordinary activities before tax	2,957	423
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%).	562	81
Effects of		
Expenses not deductible for tax purposes	1	2
Adjustments from previous periods	(2)	-
Change in tax laws and rates	(1)	1
Total tax expense	560	84

(c) Factors that may affect future tax charges

Reductions in the corporation tax rate from 21% to 20% (effective from 1 April 2016) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2016. A further reduction in the corporation tax rate to 17%, to be effective from 1 April 2020, was announced in the Chancellor's 2016 budget.

(d) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2018	2017
	£'000	£'000
Included in debtors (note 10)	5	29

	2018	2017
	£'000	£'000
Other timing differences	5	29

	£'000
At 1 January 2018	29
Adjustment in respect of prior year	1
Deferred tax expense in income statement	(25)
At 31 December 2018	5

7. Tangible assets

	Plant and machinery £'000	Computers £'000	Total £'000
Cost			
At 1 January 2018	489	612	1,101
Additions/Disposals	639	19	658
At 31 December 2018	**1,128**	**631**	**1,759**
Depreciation			
At 1 January 2018	147	612	759
Provided during the year	49	1	50
At 31 December 2018	**196**	**613**	**809**
Carrying amount as			
At 31 December 2018	**932**	**18**	**950**
At 31 December 2017	**342**	-	**342**

8. Investments

	Shares in group undertakings £'000
Cost as at 31 December 2018 and 1 January 2018	15,086
Amounts written off investments	
As at 31 December 2018 and 1 January 2018	-
Net book value As at 31 December 2018 and 1 January 2018	**15,086**

The company owns 100% of the issued share capital of Brandway Group Limited which is a non-trading company registered in England and Wales. The investments are not listed and are held at cost less impairment as fair value cannot be reliably determined. In the opinion of the directors this investment is worth at least the amount at which it is included in the financial statements.

9. Stocks

	2018 £'000	2017 £'000
Raw Materials & Packaging Materials	90	79
Finished goods and goods for resale	149	100
	239	179

Stocks recognised as an expense in the period were £2,365k (2017: £8,472k).

10. Debtors

	2018	2017
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	2,212	2,670
Other debtors	87	163
Prepayments and accrued income	76	90
	2,375	2,923

Amounts falling due after more than one year:

	2018	2017
	£'000	£'000
Deferred taxation (note 6)	5	29
	5	29

11. Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Trade creditors	217	309
Amounts owed to Parent	-	1,237
Amounts owed to Group Subsidiaries	-	127
Corporation tax	260	37
Other taxes and social security	22	65
Accruals and deferred income	483	758
	982	2,533

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

	2018	2017
	£'000	£'000
Amounts owed to subsidiary undertakings	15,086	15,086
	15,086	15,086

13. Pensions and other post-retirement benefits

The company operates a defined contribution pension scheme, the contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme. The total pension cost for the group was £104,049 (2017: £50,178). Contributions amounting to £15,025 (2017: £0) were payable to the funds at the year-end and are included in creditors.

14. Obligation under operating leases

The company has taken land and buildings and motor vehicles on lease.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2018		2017	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Within one year	27	28	33	29
In the two to five years	108	27	131	41
Later than five years	98	-	151	-
	233	55	315	70

15. Allotted and issued share capital

	2018	2017
	£	£
Allotted, called up and fully paid up 1 ordinary shares of £1	1	1

16. Off balance-sheet arrangements

The company enters into operating lease arrangements for the hire of buildings, motor vehicles and printer as these arrangements are a cost efficient way of obtaining the short-term benefits of these assets. The group lease rental expense for the year is disclosed in Note 3 and the annual group and company commitments under these arrangements are disclosed in Note 14. There are no other material off-balance sheet arrangements.

17. Financial instruments

	2018	2017
	£'000	£'000
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	2,212	2,670
Other debtors	87	163
Financial liabilities measured at amortised cost		
Amounts falling due within one year		
Trade creditors	217	309
Amounts owed to Parent & group subsidiaries	-	1,364
Amounts falling due after more than one year		
Amounts owed to group subsidiaries	15,086	15,086

18. Ultimate parent company

The Company's immediate parent undertaking is Hero Beteiligungen AG, a company incorporated in Switzerland. The Company's ultimate parent undertaking is AOH Nahrungsmittel GmbH & Co. KG, which is incorporated in Germany.

The largest group in which the results of the Company are consolidated is that headed by AOH Nahrungsmittel GmbH & Co. KG. Copies of its annual financial statements may be obtained from AOH Nährungsmittel GmbH & Co. KG, Lubecker Str 49-55, Bad Schwartau, Schleswig-Holstein, Germany 23611.

The smallest group in which the results of the Company are consolidated is that headed by Hero Beteilligungen AG. Copies of its annual financial statements may be obtained from Hero Beteilligungen AG, c/o HeroAG, Karl Roth-Strasse 8, 5600, Lenzburg, Aargau, Switzerland 5600.