Company Registration Number: 06157827

Hero UK Limited

Annual Report and Financial Statements

31 December 2021

Contents **Page**

Corporate information

Director
J Mitchell

Registered office
19 De Havilland Drive
Liverpool
L24 8RN

Independent Auditors
Ernst & Young LLP
Edward Pavilion
Royal Albert Dock
Liverpool
L3 4AF

Solicitors
DWF LLP
5 St Pauls Square
Old Hall Street
Liverpool
L3 9AE

Bankers
Barclays Bank
77 Albion Street
Leeds
LS1 5LD

Strategic report

for the year ended 31 December 2021

The director of "Hero UK Limited" ("the Company") presents the Strategic report, Director's report and the financial statements for the year ended 31 December 2021.

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:

	2021 £'000	2020 £'000	Change %
Turnover	7,504	8,693	-11.22%
Gross profit	4,938	5,923	-16.63%
Profit after tax	795	1,139	-30.20%
Equity shareholders' funds	9,768	8,973	+8.86%
Current assets as a % of current liabilities ('quick ratio')	4.31	2.77	+55.60%
Average number of employees (Note 5)	33	34	-2.94%

Turnover in the year decreased by 11.22% from the prior year. This decrease in turnover was in part due to the turnover normalizing in 2021 after an uplift in turnover in 2020 for our prescription sales during Covid-19. Further to this, turnover for prescription sales continues to show a decline due to some Clinical Commissioning Groups (CCG's) stopping or reducing the number of units and products available on prescription. In restricted areas in England, the products have been limited to just bread and mix products. Gross profit has decreased as a result of the lower turnover during the year. Profit after tax has decreased from the prior year due mainly to the reduction in turnover. The large change in the Quick Ratio is due to a large reduction within current liabilities (note 12) which relates to amount owed to the Parent Company as at year end.

The business of Hero UK is dependent upon the marketing and the distribution of Hero UK'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 25 years and follows a well-established distribution route.

Hero UK supplies Juvela branded 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.

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.

Review of the business and future developments (continued)

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. This growth in the retail market per se should not limit the growth potential in the prescription market.

The overall prescription market value has decreased recently as there has been some pressure within 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.

Hero UK under the Juvela brand, has a substantial position in the gluten free prescription market with over 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 market share 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 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.

Strategic report (continued)

for the year ended 31 December 2021

Review of the business and future developments (continued)

Further to this, we have launched an online sales platform for people to purchase limited products directly to help mitigate the impact of CCG's stopping prescriptions in certain areas within the UK. This online sales channel is a further area for growth for the Company.

During the year Brandway Group Limited (which was a 100% owned subsidiary) undertook a capital reduction by way of Directors solvency statement on the 20 September 2021. A dividend from the available distributable reserves of Brandway Group Limited was then declared for £15,086,249 to Hero UK Limited on the 22 September 2021, this has been treated by Hero UK Limited as a return of capital and reduced the investment balance to £0. Hero UK Limited and Brandway Group Limited then agreed to offset their equal and opposite intercompany balances on the 22 September 2021.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are broadly grouped as environmental, competitive, legislative and exposure to price, credit, liquidity and cash flow risks.

Environmental Risks

The products sold by the wider Hero group have minimal environmental impact with packaging reduced as much as possible to minimise packaging waste for the consumer. 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 Hero UK'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 over 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 which have been impacted on by the Ukraine war causing increase in raw material price for oils, plus wider inflationary impacts have been resulting in higher priced.. 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.

Approved by the Board on 11-11-2022 and signed on its behalf by:

J Mitchell
Director

Director's report

for the year ended 31 December 2021

The director presents his report and the financial statements for the year ended 31 December 2021.

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.

Director and his interests

The director who held office during the full year ended 31 December 2021 is given on page 2.

Directors' Indemnity

The Company directors are indemnified from third party claims and are covered under a group directors' and officers' insurance policy.

Dividends

The director has paid a dividend of £nil in relation to the year ended 31 December 2021 (2020: £nil). The director does not recommend the payment of a dividend.

Post Statement of Financial Position events

Following the year end, the Company entered into a £3million short term loan agreement with Parent Company with Hero UK acting as the Lender to the Parent Company.

Going Concern

The Company's business activities together with factors likely to affect its future development, performance and position are set out in the Strategic report. The Company is forecasting to generate positive cash flow for the next 12 month to December 2023 which helps support the Directors opinion that the company can continue as a going concern.

The Director has taken into consideration the likely future impacts that further COVID-19 variants could have on the company and do not foresee significant negative impacts which would result in the company not being able to trade as a going concern. The directors have also reviewed the impacts since the Brexit transition period ended which initially resulted in trading delays with sales to Ireland, however these supply chain issues have now been overcome and there are no significant operational issues of concern. The Director has also reviewed the current high inflationary macro environment in which the Company is operating in and does foresee any significant operational issues of concern which would result in the Company not being able to continue as a going concern.

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 a number of distinctive customer groups, all with potential for growth due to an increase in customer numbers and product development opportunities across a variety of distribution channels. A sensitivity has been prepared to consider a plausible downside scenario and the company continues to have sufficient cash throughout the going concern period. As a consequence, the Director believes the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Director has a reasonable expectation that the Company has sufficient resources and adequate contracts in place to continue as a going concern for the period to December 2023.

Director's report

for the year ended 31 December 2021

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.

Appointment of auditors

Ernst & Young LLP were given notice that Hero UK would not be reappointing them as auditors for the next financial year with PKF Francis Clark being appointed as auditors.

On behalf of the Board

J Mitchell
Director
11th November 2022

Directors' responsibility statement

for the year ended 31 December 2021

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 2021 which comprise the Income statement, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 21, 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 2021 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. 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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 December 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of 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 8, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those which relate to the financial reporting framework (FRS 102), the Companies Act 2006 and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the company has to comply with laws and regulations relating to its operations including health and safety at work, anti-bribery and corruption regulations and General Data Protection Regulations.
- We understood how Hero UK Limited is complying with those frameworks by making enquires of management, those charged with governance and those responsible for legal and compliance procedures. We corroborated our enquires though our other audit procedures.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by utilising internal and external information, inquiry of management and internal team discussions to complete our fraud risk assessment. We considered the risk of management override and assumed revenue to be a fraud risk, specifically as a result of manual journals posted throughout the year.
- • We performed audit procedures to address the identified fraud risk and incorporated data analytics into our testing of manual journals.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on journals meeting our defined criteria on an understanding of the business, and by making enquires of management and those charged with governance.

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.

Independent auditors' report
to the members of Hero UK limited

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

Michael Harvey (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Liverpool
11th November 2022

Income statement
for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Turnover	2	7,504	8,693
Cost of sales		(2,566)	(2,770)
Gross profit		4,938	5,923
Distribution costs		(666)	(704)
Administrative costs		(3,114)	(3,677)
Operating Profit	3	1,158	1,542
Profit on ordinary activities before taxation		1,158	1,542
Tax on profit on ordinary activities	6	(363)	(403)
Profit for the financial year		**795**	**1,139**

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 16-29 are an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2021

	Called up share capital £'000	Capital Contribution £'000	Profit and loss account £'000	Total Equity £'000
At 1 January 2020	-	12,355	(4,521)	7,834
Capital contribution	-	-	-	-
Deemed distribution to Parent	-	-	-	-
Profit for the year	-	-	1,139	1,139
At 31 December 2020	**-**	**12,355**	**(3,382)**	**8,973**
Capital contribution	-	-	-	-
Deemed distribution to Parent	-	-	-	-
Profit for the year	-	-	795	795
At 31 December 2021	**-**	**12,355**	**(2,587)**	**9,768**

Of the £12,355,000 total capital contribution as at 31 December 2021, only £11,427,000 is distributable. The remaining balance of £928,000 capital contribution was received in the year to 31 December 2019 and related to a waiver from the parent company of a licence fee payable and hence is not distributable.

The deemed distribution to the parent arose from a difference between the fair value of the brand intangible asset purchased from the parent and the amount payable per the agreement.

Statement of financial position
as at 31 December 2021

	Notes	2021	2020
		£'000	£'000
Fixed assets			
Intangible assets	7	3,693	4,308
Tangible assets	8	946	1,010
Investments	9	-	15,086
		4,639	**20,404**
Current assets			
Stocks	10	460	626
Debtors:	11		
amounts falling due within one year		1,603	2,032
Cash at bank and in hand		4,770	3,246
		6,833	**5,904**
Creditors: amounts falling due within one year	12	(1,585)	(2,142)
Net current assets		**5,248**	**3,762**
Total assets less current liabilities		**9,887**	**24,166**
Creditors: amounts falling due after more than one year	13	(32)	(15,134)
Provisions	14	(87)	(59)
Net assets		9,768	8,973
Capital and reserves			
Called up share capital	17	-	-
Capital contribution		12,355	12,355
Profit and loss account		(2,587)	(3,382)
Total Equity		**9,768**	**8,973**

The notes on pages 16-29 form part of these financial statements.

These financial statements were approved by the Board of directors on 11-11-2022 and were signed on its behalf by:

J Mitchell
Director

Notes to financial statements

for the year ended 31 December 2021

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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102") as issued in March 2013 and Amendment in 2018 as it applies to the financial statements of the Company for the year ended 31 December 2021.

b) Basis of preparation

The financial statements of Hero UK Limited were authorised for issue by the Board of Directors on 11-11-2022. 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 3-7.

Going Concern

The Company's business activities together with factors likely to affect its future development, performance and position are set out in the Strategic report. The Company is forecasting to generate positive cash flow for the foreseeable future which helps support the Directors opinion that the company can continue as a going concern.

The Director has taken into consideration the likely future impacts that further COVID-19 variants could have on the company and do not foresee significant negative impacts which would result in the company not being able to trade as a going concern. The directors have also reviewed the impacts since the Brexit transition period ended which initially resulted in trading delays with sales to Ireland, however these supply chain issues have now been overcome and there are no significant operational issues of concern. The Director has also reviewed the current high inflationary macro environment in which the Company is operating in and does foresee any significant operational issues of concern which would result in the Company not being able to continue as a going concern.

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 a number of distinctive customer groups, all with potential for growth due to an increase in customer numbers and product development opportunities across a variety of distribution channels. A sensitivity has been prepared to consider a plausible downside scenario and the company continues to have sufficient cash throughout the going concern period As a consequence, the Director believes the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Director has a reasonable expectation that the Company has sufficient resources and adequate contracts in place to continue as a going concern for the period to December 2023.

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 1I set out those policies which apply in preparing the financial statements for the year ended 31 December 2021.

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.

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 31st December 2021 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.

1. Accounting policies (continued)

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 Income Statement.

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 income statement.

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

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.

1. Accounting policies (continued)

e) Significant accounting policies (continued)

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 receivable, 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 year end 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 shows in the Statement of Financial Position of Hero UK Limited at cost less impairment.

Basic Financial instruments

(a) Financial assets

Basic financial assets represents stocks, trade debtors, cash and bank balances are initially recognised at transaction price. At 31 December 2021, 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.

Notes to financial statements (continued)

for the year ended 31 December 2021

1. Accounting policies (continued)

e) Significant accounting policies (continued)

Basic Financial instruments (continued)

(b) Financial liabilities

Basic financial liabilities represents creditors including amounts owed to Parent are initially recognised at transaction price. At 31 December 2021, 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.

Amounts 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.

(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 year-end date.

1. Accounting policies (continued)

(e) Significant accounting policies (continued)

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 year end date. All differences are taken to the income statement.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position 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 income statement 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 2021

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:

	2021 £'000	2020 £'000
Turnover	7,504	8,693

Turnover is analysed by geographical area as follows:

	2021 £'000	2020 £'000
UK	7,168	8,179
Ireland	336	514
Turnover	**7,504**	**8,693**

3. Operating Profit

	2021 £'000	2020 £'000
Profit on ordinary activities is stated after charging/(crediting):		
Operating lease rentals		
- Land & buildings	98	94
- Other assets	12	14
Auditors' remuneration (note 4)	29	23
Depreciation of owned fixed assets (note 8)	149	129
Amortisation (Note 7)	615	541
Foreign exchange differences	4	9

4. Auditor's remuneration

	2021 £'000	2020 £'000
Audit of the financial statements	29	23
	29	**23**

5. Staff costs

a) Staff costs

	2021	2020
	£'000	£'000
Wages and salaries	1,242	1,578
Social security costs	104	145
Other pension costs	77	86
	1,423	**1,809**

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

	2021	2020
	No.	No.
Administration	15	16
Manufacturing	18	18
	33	**34**

b) Directors' remuneration

	2021	2020
	£'000	£'000
Aggregate remuneration in respect of qualifying services	162	309
Pension contributions	12	12
	174	**321**

6. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2021	2020
	£'000	£'000
Current Tax:		
UK Corporation tax at 19.00% (2020: 19.00%)	(333)	(369)
Adjustment in respect of previous period	(2)	-
Deferred tax:		
Origination and reversal of timing differences	(10)	(31)
Adjustment in respect of previous periods	3	-
Effect of changes in tax rates	(21)	(3)
Total tax per income statement (note 6 (b))	**(363)**	**(403)**

6. Tax (continued)

(b) Factors affecting the total tax charge

The tax assessed on the profit on ordinary activities for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19.00% (2020 – 19.00%). The differences are reconciled below:

	2021	2020
	£'000	**£'000**
Profit on ordinary activities before tax	**1,158**	**1,542**
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%).	220	293
Effects of		
Expenses not deductible for tax purposes	122	107
Adjustments from previous periods	-	-
Change in tax laws and rates	21	3
Total tax expense	**363**	**403**

(c) Factors that may affect future tax charges

At Budget 2020, the government announced that the Corporation main tax rate for the years starting 1 April 2020 and 2021 would remain at 19%. At Budget 2021, the government announced that the Corporation main tax rate for the year starting 1 April 2023 will be increased to 25%.

(d) Deferred tax

	2021	2020
	£'000	**£'000**
Included in debtors (note 11)	-	-
Included in provisions (note 14)	(87)	(59)

	2021	2020
	£'000	**£'000**
Other timing differences	(87)	(59)

	£'000
At 1 January 2021	(59)
Adjustment in respect of prior year	3
Deferred tax expense in income statement	(31)
At 31 December 2021	(87)

The proposal to increase the Corporation main rate to 25% from 1 April 2023 have been substantively enacted at the company's balance sheet date, therefore its effect have been included in these financial statements.

7. Intangible assets

	Goodwill on Acquisition £'00'	License £'00'	Acquired Brand Names £'000	4 Total £'000
Cost				
At 1 January 2021	2,134	1,165	6,155	9,454
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 December 2021	**2,134**	**1,165**	**6,155**	**9,454**
Amortisation				
At 1 January 2021	(2,134)	(1,165)	(1,847)	(5,146)
Provided during the year	-	-	(615)	(615)
At 31 December 2021	**(2,134)**	**(1,165)**	**(2,462)**	**(5,761)**
Carrying amount as				
At 31 December 2021	-	-	**3,693**	**3,693**
At 31 December 2020	-	-	**4,308**	**4,308**

The individual intangible assets, excluding goodwill, which are material to the financial statements are:

	Carrying Amount		Remaining amortisation period (years)	
	2021	2020	2021	2020
	£'000	£'000		
Brand Names and Trademarks				
Juvela	3,693	4,308	6	7
License	-	-	nil	nil

The Juvela brand has a useful life of 10 years and is based on the expected use of the acquired brand. Amortisation of £615k (2020: £541k) is included within in the Administration costs within the Income Statement.

Goodwill on acquisition arose on the acquisition of assets and liabilities of Supercook UK LLP on 22 March 2007. This acquisition has been accounted for under acquisition accounting. In accordance with FRS 10 'Goodwill and intangible assets', as the contract to supply Supercook UK LLP was loss making, goodwill on acquisition has been written off immediately in the period it arises. Consequently, £2,134,000 was debited to the Income Statement account in the year of acquisition.

A license to distribute and supply gluten free nutritional products was acquired 11 May 2007. The fair value of this license agreement was £1,165,000 and was fully amortised as at 31 December 2008.

8. Tangible assets

	Plant and machinery £'00'	Computers £'000	Total £'000
Cost			
At 1 January 2021	1,403	633	2,036
Additions	80	5	85
Disposals	-	(357)	(357)
At 31 December 2021	**1,483**	**281**	**1,764**
Depreciation			
At 1 January 2021	420	606	1,026
Provided during the year	135	14	149
Disposals	-	(357)	(357)
At 31 December 2021	**555**	**263**	**818**
Carrying amount as			
At 31 December 2021	**928**	**18**	**946**
At 31 December 2020	**983**	**27**	**1,010**

9. Investments

	Shares in group undertakings £'000
Cost as at 1 January 2021	15,086
Return of Capital	(15,086)
Net book value as at 31 December 2021	-

The Company owned 100% of the issued share capital of Brandway Group Limited which was a non-trading company registered in England and Wales. The investment was not listed and were held at cost less impairment as fair value cannot be reliably determined. During 2021,Brandway Group Limited undertook a capital reduction by way of Directors solvency statement on the 20 September 2021. A dividend from the available distributable reserves of Brandway Group Limited was then declared for £15,086,249 to Hero UK Limited on the 22 September 2021, this has been treated by Hero UK Limited as a return of capital and reduced the investment balance to £0.

10. Stocks

	2021 £'000	2020 £'000
Raw Materials & Packaging Materials	297	378
Finished goods and goods for resale	163	248
	460	**626**

Stocks recognised as an expense in the period were £1,558k (2020: £1,700k).

11. Debtors

	2021	2020
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	1,491	1,895
Other debtors	38	54
Corporation Tax	-	19
Prepayments and accrued income	74	64
	1,603	**2,032**

12. Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Trade creditors	290	442
Amounts owed to Parent	871	1,037
Corporation tax	46	-
Other taxes and social security	35	45
Accruals and deferred income	343	618
	1,585	**2,142**

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

	2021	2020
	£'000	£'000
Amounts owed to subsidiary undertakings	-	15,086
Long term Accruals	32	48
	32	**15,134**

14. Provisions

	2021	2020
	£'000	£'000
Deferred taxation (note 6)	87	59
	87	**59**

15. Pensions and other post-retirement benefits

The Company operates a defined contribution pension scheme, the contributions are charged in the income statement as they become payable in accordance with the rules of the scheme. The total pension cost for the company was £77,478 (2020: £85,864). Contributions amounting to £11,675 (2020: £13,660) were payable to the funds at the year-end and are included in creditors.

16. 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:

	2021		2020	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Within one year	92	14	92	5
In the two to five years	249	15	249	-
Later than five years	17	-	44	-
	358	**29**	**385**	**5**

17. Allotted and issued share capital

	2021	2020
	£	£
Allotted, called up and fully paid up 1 ordinary shares of £1	1	1

18. Lease arrangements

The company enters into operating lease arrangements for the hire of buildings, motor vehicles and printer and other equipment as these arrangements are a cost-efficient way of obtaining the short-term benefits of these assets. The company lease rental expense for the year is disclosed in Note 3 and the annual company commitments under these arrangements are disclosed in Note 16. There are no other material lease arrangements.

19. Financial instruments

	2021	2020
	£'000	£'000
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	1,491	1,895
Other debtors	38	54
Financial liabilities measured at amortised cost		
Amounts falling due within one year		
Trade creditors	290	442
Amounts owed to Parent	871	1,037
Amounts falling due after more than one year		
Long term accruals	32	48
Amounts owed to subsidiary undertakings	-	15,086

20. 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 Nahrungsmittel 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.

21. Post Statement of Financial Position events

Following the year end, the Company entered into a £3 million short term loan agreement with Parent Company with Hero UK acting as the Lender to the Parent Company.