



HERO BRANDS LTD

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021



HERO BRANDS LTD

COMPANY INFORMATION

Directors

Athif Sarwar
Asim Sarwar

Company number

SC586287

Registered office

Westpoint House
5 Redwood Place
Peel Park
East Kilbride
Glasgow
Scotland
G74 5PB

Auditors

Wylie & Bisset (Audit) Limited
Chartered Accountants
168 Bath Street
Glasgow
G2 4TP

Bankers

HSBC UK
2 Buchanan Street
Glasgow
G1 3LB

Solicitors

BTO Solicitors LLP
48 St Vincent Street
Glasgow
G2 5HS

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HERO BRANDS LTD

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2021.

At Hero Brands, we respond to emerging consumer trends and our aim is to build fast-casual brands of the future. With our network of multi-unit franchise operators, we can move at pace and quickly launch brands to a global consumer audience.

Business Review

Following the successful demerger into Hero Brands in 2020, the German Doner Kebab operation has grown from 71 restaurants at the end of 2020 to 112 restaurants at the end of this financial year, and has subsequently grown to 146 restaurants at the end of 2022. This covers restaurants in the UK, Sweden and Dubai as established operations with the USA and Canada having 4 restaurants opened whilst investing significantly in building the infrastructure for its future growth. Negotiations are also underway in setting up franchise operations in other countries.

Through a subsidiary company, Hero Property (Scotland) Ltd, the first investment was made in property to both house our head office but also to sublet a substantial element of the space.

Principal risks and uncertainties

The principal risks and uncertainties which could affect the company's performance are:

1. Any further downturn in economic activity resulting in the level of disposable income of consumers.
2. The impact of the current economic uncertainty on the global supply chain coupled with the ongoing effects of price inflation on operating margins.

The directors continually assess the ongoing risks to the business and work closely with our supplier partners to ensure that our core products are available to all trading units as required and cost increases managed and mitigated where possible.

Future developments

The group plans to continue its expansion of new store numbers and grow the business substantially, in the UK, the USA and other international markets.

Financial key performance indicators

The board uses a number of performance indicators, both financial and non-financial, to monitor the performance of all companies across the portfolio. The key financial measures amongst others are like for like sales, transaction numbers and average order values.

Other key performance indicators

The key non-financial measures focus on customer satisfaction and customer complaint ratings including waiting times.

This report was approved by the board on 23 December 2022 and signed on its behalf.

DocuSigned by:

Athif Sarwar

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Mr Athif Sarwar
Director

HERO BRANDS LTD

DIRECTORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and financial statements for the year ended 31 December 2021.

Principal activity and review of the business

The group's principal activity continued to be that of franchising of fast food business, encompassing product sales, franchise fees, marketing and royalty income.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £1,448,298 (2020 as restated: £1,278,518).

No dividends were paid during the year to 31 December 2021 (2020: None).

Directors

The directors who served during the year were:

Mr Athif Sarwar
Mr Asim Sarwar (appointed 22 May 2022)
Mr Osmond Ramsay (resigned 27 May 2022)

Going Concern

The parent company was in a net current liabilities position of £2,573,679 at year end (2020 - £1,336,439). The company meets its day to day working capital requirements through advances from a subsidiary. The directors have a reasonable expectation that the subsidiary has adequate resources to continue this support for at least twelve months from the date of signing these financial statements and a letter of support has been received from this entity. The balance owed by the parent company to group companies at year end was £3,254,156 (2020 - £1,391,728).

The directors have considered the assumption over going concern for a period of at least 12 months from the date of approval of these financial statements. This includes considering trading results for both the parent company and the group since the year end, which show a continued increase in royalty fee revenue and increased profit in 2022. Forecasts have also been considered, which indicate that profits and cash generated will continue to grow in 2023 and 2024 and beyond. The parent company is satisfied that, with the ongoing financial support of its subsidiary, it has sufficient resources to allow it to meet its obligations as they fall due, and the directors of the group are satisfied that the subsidiary has the financial means to provide the necessary support for a period of at least twelve months from the date of approval of these financial statements. The directors are satisfied that there is not a material uncertainty over the going concern of the group and the parent company, and accordingly, the financial statements are prepared on a going concern basis. The financial statements of the parent company do not include adjustments that would arise if the financial support of the subsidiary was withdrawn, as the directors of the subsidiary have confirmed that they will continue to support the company for a period of not less than twelve months from the approval of the financial statements.

Auditors

During the year, BDO LLP resigned as auditors, Wylie & Bisset (Audit) Limited were appointed. In accordance with the company's articles, a resolution that the auditors, Wylie & Bisset (Audit) Limited, will be proposed for reappointment at the Annual General Meeting in accordance with section 485 of the Companies Act 2006.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

HERO BRANDS LTD

DIRECTORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 proper accounting records that 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.

On behalf of the board

DocuSigned by:

Athif Sarwar

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Athif Sarwar
Director

Date: 23 December 2022

HERO BRANDS LTD

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF HERO BRANDS LTD

Opinion

We have audited the financial statements of Hero Brands Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise; Consolidated Statement of Total Comprehensive Income; Consolidated Balance Sheet; Company Balance Sheet; Statements of Changes in Equity; Statement of Consolidated Cash Flows and notes to the financial statements, 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 Financial Reporting Standard 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 state of the group's and of the parent company's affairs as at 31 December 2021, and of the group's 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 group 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 director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

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

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

HERO BRANDS LTD

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF HERO BRANDS LTD

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 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 has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made;
- 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 3, 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 group's and the parent 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 group or the parent 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.

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

HERO BRANDS LTD

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF HERO BRANDS LTD

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures response to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and assessing the risks of material misstatements in respect of irregularities, including fraud and non-compliance with laws and regulations we considered the following;

- The nature of the group and company and the industry, control environment and business performance including the design of stock valuation and provision policies, and group performance targets; and
- Our enquiries of management about their identification and assessment of the risks of irregularities.

Based on our understanding of the company and the industry we identified that the principal risks of non-compliance with laws and regulations related to, but were not limited to;

- Regulations and legislation pertinent to the company's industry operations; and
- UK tax and Employment legislation.

We considered the extent to which non-compliance might have a material impact on the financial statements. We also considered those laws and regulations which have a direct impact on the preparation of the financial statements, such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of management override of controls), and determined that the principal risks were related to;

- Posting inappropriate journal entries to increase revenue; and
- Management bias in accounting estimates.

Audit response to the risks identified;

Our procedures to respond to the risks identified included the following;

- Gaining an understanding of the legal and regulatory framework applicable to the group and company and the industry in which it operates;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Enquiring of management and legal advisors concerning actual and potential litigation and claims;
- In addressing the risk of fraud as a result of management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and, evaluating business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would be to become aware of it. Also, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

HERO BRANDS LTD

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF HERO BRANDS LTD

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.

DocuSigned by:

Wyllie & Bisset (Audit) Limited

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Claire Dalrymple FCCA (Senior Statutory Auditor)
for and on behalf of Wyllie & Bisset (Audit) Limited
Chartered Accountants
Statutory Auditor

Date: 23 December 2022
168 Bath Street
Glasgow, G2 4TP

HERO BRANDS LTD
**CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

		2021	2020
	Notes	£	as restated £
Turnover	3	34,831,966	20,068,679
Cost of sales		(18,899,851)	(11,686,931)
Gross profit		15,932,115	8,381,748
Distribution costs		(108,754)	(2,800,845)
Administrative expenses		(13,277,803)	(3,920,687)
Operating profit	5	2,545,558	1,660,216
Other Income (Expenses)			
Other interest receivable and similar income	4	1,763	-
Other finance income		8,161	-
Realised loss on foreign currency translation		(29,148)	-
		(19,224)	-
Profit before taxation		2,526,334	1,660,216
Tax on profit on ordinary activities	8	(741,800)	(335,813)
Profit for the financial year		1,784,534	1,324,403
Minority interests	19	(33,886)	(45,885)
Total comprehensive income		1,750,648	1,278,518

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 14 to 29 form part of these accounts

HERO BRANDS LTD

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021

	Notes	2021 £	2020 as restated £
Fixed assets			
Intangible assets	9	1,729,525	1,940,159
Tangible assets	10	2,037,080	177,332
Investments	11	1,522,682	1,108,164
		<u>5,289,287</u>	<u>3,225,655</u>
Current assets			
Stocks	12	1,496,469	169,904
Debtors	13	5,417,775	3,249,547
Cash at bank and in hand		538,093	732,207
		<u>7,452,337</u>	<u>4,151,658</u>
Creditors: amounts falling due within one year	14	(7,828,720)	(4,607,337)
		<u>(376,383)</u>	<u>(455,679)</u>
Net current (liabilities)			
Creditors: amounts falling due after more than one year	15	(349,099)	-
Provisions for liabilities	16	(81,437)	-
		<u>(430,536)</u>	<u>-</u>
Net assets		<u><u>4,482,368</u></u>	<u><u>2,769,976</u></u>
Capital and reserves			
Called up share capital	18	110	110
Merger reserve		1,479,317	1,479,317
Profit and loss account		3,082,689	1,336,434
Minority interests	19	(79,748)	(45,885)
		<u>4,482,368</u>	<u>2,769,976</u>
Equity		<u><u>4,482,368</u></u>	<u><u>2,769,976</u></u>

The financial statements were approved by the Board of directors and authorised for issue on 23 December 2022 and are signed on its behalf by:

Athif Sarwar
Director

DocuSigned by:
Athif Sarwar
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Company Registration No. SC586287

The notes on pages 14 to 29 form part of these accounts

HERO BRANDS LTD
**COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2021**

			2021	2020
	Notes	£	£	£
Fixed assets				
Intangible assets	9		-	4,295
Tangible assets	10		3,281	4,922
Investments	11		3,482,976	2,772,273
			<u>3,486,257</u>	<u>2,781,490</u>
Current assets				
Debtors	13	959,915		88,162
Cash at bank and in hand		3,575		3,676
		<u>963,490</u>		<u>91,838</u>
Creditors: amounts falling due within one year	14	(3,537,169)	(1,428,277)	
Net current (liabilities)			<u>(2,573,679)</u>	<u>(1,336,439)</u>
Net assets			<u>912,578</u>	<u>1,445,051</u>
Capital and reserves				
Called up share capital	18		110	110
Merger relief reserve			1,663,891	1,663,891
Profit and loss account			(751,423)	(218,950)
Total equity			<u>912,578</u>	<u>1,445,051</u>

The financial statements were approved by the Board of directors and authorised for issue on 23 December 2022 and are signed on its behalf by:

Athif Sarwar
Director

DocuSigned by:
Athif Sarwar
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Company Registration No. SC586287

The notes on pages 14 to 29 form part of these accounts

HERO BRANDS LTD

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

Group	Note	Share capital	Merger relief reserve	As restated P&L	Equity attributed to owner of parent company	As restated Non-controlling interest	Total equity
		£	£	£	£	£	£
As restated for the period ended 31 December 2020:							
Balance at 1 January 2020		1	-	(33,854)	(33,853)	-	(33,853)
Period ended 31 December 2020:							
Profit and total comprehensive income for the year		-	-	1,370,288	1,370,288	(45,885)	1,324,403
Shares issued	109	-	-	-	109	-	109
Other movements		-	1,479,317	-	1,479,317	-	1,479,317
Balance at 31 December 2020 as restated	25	110	1,479,317	1,336,434	2,815,861	(45,885)	2,769,976
Period ended 31 December 2021:							
Profit and total comprehensive income for the year		-	-	1,750,648	1,750,648	(33,886)	1,716,762
Other movements		-	-	(4,393)	(4,393)	23	(4,370)
Balance at 31 December 2021		110	1,479,317	3,082,689	4,562,116	(79,748)	4,482,368

HERO BRANDS LTD

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

Company	Share capital	Revaluation reserve	Profit and loss reserves	Total equity
	£	£	£	£
As restated for the period ended 31 December 2020:				
Balance at 1 January 2020	1	-	(33,854)	(33,853)
Period ended 31 December 2020:				
Profit and total comprehensive income for the year	-	-	(185,096)	(185,096)
Issue of share capital	109	-	-	109
Other movements	-	1,663,891	-	1,663,891
Balance at 31 December 2020	110	1,663,891	(218,950)	1,445,051
Period ended 31 December 2021:				
Loss and total comprehensive income for the year	-	-	(532,473)	(532,473)
Balance at 31 December 2021	110	1,663,891	(751,423)	912,578

HERO BRANDS LTD
**STATEMENT OF CONSOLIDATED CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 as restated £
Cash flows from operating activities			
Total comprehensive income		1,750,648	1,203,175
Adjustments for:			
Amortisation of intangible assets	9	264,133	238,517
Depreciation of tangible assets	10	82,743	51,220
Taxation Charge	8	741,800	335,813
(Increase)/Decrease in stocks	12	(1,326,565)	(116,728)
(Increase) in debtors	13	(2,254,715)	(1,693,515)
Increase in creditors	14	3,291,650	2,048,748
Corporation tax paid		(366,435)	(189,164)
Forex difference		(29,148)	-
Investment income	4	(1,763)	-
Other finance income	4	8,161	-
Incorporation of subsidiary assets in the year		57,794	-
Incorporation of subsidiary amortisation/depreciation in the year		(3,672)	-
Net cash generated from operating activities		2,214,631	1,878,066
Interest received		1,763	-
Net cash inflow from operating activities		2,216,394	1,878,066
Cash flows from investing activities			
Purchase of intangible assets	9	(57,794)	(33,569)
Purchase of fixed assets investments	11	(414,518)	(1,019,387)
Purchase of other fixed assets	10	(1,942,491)	-
Acquisition of subsidiaries		-	-
Disposal of intangibles	9	4,295	-
Net cash used from investing activities		(2,410,508)	(1,052,956)
Loans paid to related party debtors		-	(12,500)
Loans repaid to related party creditors		-	(80,403)
Net cash used in financing activities		-	(92,903)
Net (decrease)/increase in cash and cash equivalents		(194,114)	732,207
Cash and cash equivalents at beginning of year	20	732,207	-
Cash and cash equivalents at end of year	20	538,093	732,207

HERO BRANDS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

1.1 Company information

Hero Brands Ltd is a private company limited by shares, incorporated in Scotland under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the group/company's operations and its principal activities are set out in the directors' report.

1.2 Accounting convention

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements are prepared under the historical cost convention, as modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and of its subsidiaries (see note 11). The financial statements of all companies in the group have been prepared to 31 December 2021.

The parent company is exempt from the requirements to file an individual profit and loss account under section 408 of the Companies Act 2006. The net loss of the company for the year ended 31 December 2021 was £532,473 (2020: loss of £185,096).

1.3 Going concern

The parent company was in a net current liabilities position of £2,573,679 at year end (2020 - £1,336,439). The company meets its day to day working capital requirements through advances from a subsidiary. The directors have a reasonable expectation that the subsidiary has adequate resources to continue this support for at least twelve months from the date of signing these financial statements and a letter of support has been received from this entity. The balance owed by the parent company to group companies at year end was £3,254,156 (2020 - £1,391,728).

The directors have considered the assumption over going concern for a period of at least 12 months from the date of approval of these financial statements. This includes considering trading results for both the parent company and the group since the year end, which show a continued increase in royalty fee revenue and increased profit in 2022. Forecasts have also been considered, which indicate that profits and cash generated will continue to grow in 2023 and 2024 and beyond. The parent company is satisfied that, with the ongoing financial support of its subsidiary, it has sufficient resources to allow it to meet its obligations as they fall due, and the directors of the group are satisfied that the subsidiary has the financial means to provide the necessary support for a period of at least twelve months from the date of approval of these financial statements. The directors are satisfied that there is not a material uncertainty over the going concern of the group and the parent company, and accordingly, the financial statements are prepared on a going concern basis. The financial statements of the parent company do not include adjustments that would arise if the financial support of the subsidiary was withdrawn, as the directors of the subsidiary have confirmed that they will continue to support the company for a period of not less than twelve months from the approval of the financial statements.

1.4 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

At each report period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains or losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statements of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within operating profit/loss.

1.5 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is recognized when all of the following conditions are satisfied:

- The group has transferred the significant risks and rewards of ownership to the buyer;
- The group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the group will receive the consideration due under the transaction; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the group will receive the consideration due under the contract;
- The stage of completion of the contract at the end of the reporting period can be measured reliably; and
- The costs incurred and the costs to complete the contract can be measured reliably

1.6 Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

1.7 Tangible fixed assets and depreciation

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant & Machinery	20% straight line
Fixtures & Fittings	20% straight line
Motor Vehicles	20% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

The asset's residual values, useful lives, and depreciation methods are reviewed and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

1.8 Intangible fixed assets

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair values can be measured reliably.

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated depreciation and any accumulated impairment losses. All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed 10 years.

The estimated useful life is as follows:

Trademarks	-	10 years
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1.9 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indications exist, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of the fair values less the costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

1.10 Stock

Stock is valued at the lower of cost and net realisable value, being the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to sell. The impairment loss is recognised immediately in the consolidated statement of comprehensive income.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

1.12 Financial assets

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Other financial assets classified as fair value through profit or loss are measured at fair value.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.13 Financial liabilities

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through profit or loss are measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.14 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.15 Taxation

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

Current tax

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

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted

1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.17 Retirement benefits

The group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the group to the scheme in respect of the year. The assets of the scheme are held separately from the group in independently administered funds.

1.18 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

1.19 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

1.20 Government grants

Grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of the grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the consolidated statement of comprehensive income in the same period as the related expenditure.

1.21 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

1.22 Valuation of Investments

- (i) **Subsidiary undertakings**
Investments in subsidiaries are valued at cost less provision for impairment.
- (ii) **Other investments**
Investments held as fixed assets are shown at cost less provision for impairment.

1.23 Provisions for liabilities

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of that obligation.

Provisions are charged as an expense to profit or loss in the year that the group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

2 Critical accounting estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Stock - Stocks are valued at the lower of cost and selling price. This includes, where necessary, provisions for slow moving stocks. Calculations of these provisions requires judgements to be made, including the competitive and economic environment and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Bad Debt Provision - Calculations made in respect of provisions for doubtful debts requires judgement. This judgement is based on customer base and the economic environment.

Depreciation – Tangible fixed assets are depreciated over the useful life of the assets. The useful lives of the fixed assets are based on the knowledge of the directors, with reference to assets expected life cycle.

Impairment – The directors determine whether there are indicators of impairment of the group's intangible assets and investments. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

3	Turnover	2021	2020
		£	as restated
			£
	Products	23,023,363	14,219,757
	Marketing income	3,406,189	1,588,398
	Royalty income	6,666,192	3,056,577
	Sundry income	147,819	251,408
	Franchise fees	1,588,404	952,539
		<u>34,831,966</u>	<u>20,068,679</u>
4	Other income (expenses)	2021	2020
		£	as restated
			£
	Other interest receivable and similar income	1,763	-
	Other finance income	8,161	-
	Realised loss on foreign currency translation	(29,148)	-
		<u>(19,224)</u>	<u>-</u>
5	Operating profit	2021	2020
		£	as restated
			£
	Operating profit is stated after charging:		
	Amortisation on intangible fixed assets	264,133	238,517
	Depreciation of tangible fixed assets owned by the group	82,743	51,220
	Exchange differences	(29,148)	-
	Pension costs	68,498	12,132
	Operating lease rentals	<u>-</u>	<u>2,944</u>

HERO BRANDS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

6 Auditors' remuneration

Analysis per company:	2021 £	2020 £
Hero Brands Limited	17,500	30,000
United Brands Limited	20,850	-
GDK International	9,400	-
GDK US	42,481	-
	<u>90,231</u>	<u>30,000</u>

7 Employees

Staff costs were as follows:	2021 £	2020 £
Wages and Salaries	4,342,488	950,818
National Insurance	215,134	136,982
Cost of defined contribution scheme	68,498	12,132
	<u>4,626,120</u>	<u>1,099,842</u>

The average number of employees, including the director during the year was 34 (2020: 17)

Directors received remuneration of £138,625 during 2021 (2020: £nil).

8 Taxation

	2021 £	2020 as restated £
Corporation tax charge	615,130	354,320
Adjustments in respect of prior year corporation tax charge	17,371	-
Deferred Tax	109,299	(18,507)
Current Tax on profits for the year	<u>741,800</u>	<u>335,813</u>
Profit on ordinary activities before tax	2,526,334	1,660,216
Profit on ordinary activities multiplied by standard rate of 19%	480,003	315,441
Effects of:		
Adjustments in respect of previous periods	147,546	(2,896)
Disallowed expenses	7,180	1,660
Provisions tax adjustment	(40,669)	30,753
Group relief	(134,744)	(35,467)
Other adjustments	362,431	161,029
Deferred tax charges	109,299	(18,507)
Permanent capital allowances in excess of depreciation	(95,682)	(7,099)
Amortisation of assets not qualifying for tax allowances	21,614	17,419
Depreciation in excess of Cap allowances	15,285	9,109
Research and Development tax credit	(41,087)	-
Loans to participators tax under S455 CTA 2010	(24,205)	24,205
Trade intangible fixed asset debits	(21,614)	(17,311)
Tax effect of prior year adjustment	<u>(43,557)</u>	<u>(142,523)</u>
	<u>741,800</u>	<u>335,813</u>

There were no factors that may affect future tax charges.

HERO BRANDS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

9 Intangible fixed assets

Group	Trademarks	Total
Cost	£	£
At 1 January 2021	2,178,676	2,178,676
Additions	57,794	57,794
Disposals	(4,295)	(4,295)
	<hr/>	<hr/>
At 31 December 2021	2,232,175	2,232,175
Amortisation		
At 1 January 2021	238,517	238,517
Charge for the year	264,133	264,133
	<hr/>	<hr/>
At 31 December 2021	502,650	502,650
Net Book Value		
At 31 December 2021	<hr/> 1,729,525 <hr/>	<hr/> 1,729,525 <hr/>
At 31 December 2020	<hr/> 1,940,159 <hr/>	<hr/> 1,940,159 <hr/>
Company	Trademarks	Total
Cost	£	£
At 1 January 2021	4,295	4,295
Disposals	(4,295)	(4,295)
	<hr/>	<hr/>
At 31 December 2021	-	-
Amortisation		
At 1 January 2021	-	-
	<hr/>	<hr/>
At 31 December 2021	-	-
Net Book Value		
At 31 December 2021	<hr/> - <hr/>	<hr/> - <hr/>
At 31 December 2020	<hr/> 4,295 <hr/>	<hr/> 4,295 <hr/>

HERO BRANDS LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
10 Tangible fixed assets

Group	Land and Buildings	Plant and Machinery	F, F & E	Motor Vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2021	-	63,725	192,888	-	256,613
Additions	1,487,586	265,171	69,842	119,892	1,942,491
Disposals	-	-	-	-	-
At 31 December 2021	<u>1,487,586</u>	<u>328,896</u>	<u>262,730</u>	<u>119,892</u>	<u>2,199,104</u>
Depreciation					
At 1 January 2021	-	22,180	57,101	-	79,281
Charge for the year	-	34,182	44,728	3,833	82,743
Disposals	-	-	-	-	-
At 31 December 2021	<u>-</u>	<u>56,362</u>	<u>101,829</u>	<u>3,833</u>	<u>162,024</u>
Net book value					
At 31 December 2021	<u>1,487,586</u>	<u>272,534</u>	<u>160,901</u>	<u>116,059</u>	<u>2,037,080</u>
At 31 December 2020	<u>-</u>	<u>41,545</u>	<u>135,787</u>	<u>-</u>	<u>177,332</u>

Company	Plant and Machinery	Total
	£	£
Cost		
At 1 January 2021	<u>8,202</u>	<u>8,202</u>
	8,202	8,202
At 31 December 2021	<u></u>	<u></u>
Depreciation		
At 1 January 2021	3,280	3,280
Charge for the year	<u>1,641</u>	<u>1,641</u>
	4,921	4,921
At 31 December 2021	<u></u>	<u></u>
Net book value		
At 31 December 2021	<u>3,281</u>	<u>3,281</u>
At 31 December 2020	<u>4,922</u>	<u>4,922</u>

HERO BRANDS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

11 Fixed asset investments

Group

Cost	Unlisted investments £
At 1 January 2021	1,108,164
Additions	414,518
At 31 December 2021	<u>1,522,682</u>

Company

Cost	Investment in subsidiaries & Associates £
At 1 January 2021	2,772,273
Additions	710,703
At 31 December 2021	<u>3,482,976</u>

Details of the investments held are as follows:

Company	Place of incorporation	Shareholding	Principal activity
United Brands Limited	Scotland	100%	Holding company
Salaud Holding GMBH	Germany	53.7%	Franchising system
Virtual Hero Limited	Scotland	76.5%	Other food services
Island Poke	England	<50%	Other business support service activities

The cost and net book value figures above comprises: other unlisted fixed asset investments £1,522,682 (2020: £1,108,164).

The following were subsidiary undertakings of the company at the balance sheet date:

Company	Class of shares	Aggregate of share capital and reserves £	Profit/(loss) £
Hero Property	Ordinary	35,359	35,359
United Brands Limited	Ordinary	6,943,206	2,840,384
GDK International	Ordinary	(929,168)	851,682
GDK US	Ordinary	(1,713,670)	(1,058,506)
Salaud Holdings GMBH	Ordinary	151,889	(188,833)
Choppaluna	Ordinary	(351,497)	(350,176)
Virtual Hero	Ordinary	(79,041)	(79,141)
Hero Sidz	Ordinary	-	-
Hero Duah	Ordinary	-	-

The address of the registered office of the above subsidiaries is that of the parent company, Hero Brands Ltd, and can be found on the company information page of these accounts. All of the subsidiaries are exempt from audit by virtue of S479A of the Companies Act 2006.

HERO BRANDS LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
12 Stocks

Group	2021	2020 as restated
	£	£
Goods for resale	1,496,469	169,904
	<u>1,496,469</u>	<u>169,904</u>

13 Debtors

	Company 2021	Company 2020	Group 2021	Group 2020 as restated
	£	£	£	£
Trade debtors	-	-	4,002,745	2,488,220
Other debtors	121,758	88,162	684,488	208,943
Amounts owed by group undertakings	826,608	-	-	(74,476)
Prepayments & Accrued Income	11,549	-	553,265	612,338
Deferred taxation (note 16)	-	-	16,479	44,210
Amounts owed by related undertaking	-	-	703	(29,668)
Non consolidating amounts owed by group	-	-	160,095	-
	<u>959,915</u>	<u>88,162</u>	<u>5,417,775</u>	<u>3,249,567</u>

14 Creditors: amounts falling due within one year

	Company 2021	Company 2020	Group 2021	Group 2020 as restated
	£	£	£	£
Bank loans/overdrafts	-	-	37,823	-
Trade creditors	32,944	14,050	1,780,075	1,072,367
Amounts owed to group undertakings	3,254,156	1,391,728	-	64,923
Amounts owed to related parties	-	19,261	2,171,467	559,287
Corporation tax	-	-	679,854	345,576
Other taxation & social security	14,294	-	379,698	310,991
Other creditors	26,022	109	2,248,903	790,296
Accruals & deferred income	209,753	3,129	530,900	1,463,897
	<u>3,537,169</u>	<u>1,428,277</u>	<u>7,828,720</u>	<u>4,607,337</u>

HERO BRANDS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

15 Creditors: amounts falling due more than one year

	Company 2021	Company 2020	Group 2021	Group 2020 as restated
	£	£	£	£
Other creditors	-	-	349,099	-
	<u>-</u>	<u>-</u>	<u>349,099</u>	<u>-</u>

16 Provision for liabilities

The provision for deferred taxation is made up as follows:

	Company	Group
	£	£
At 1 January 2021	-	44,210
Charged to profit or loss	-	(109,168)
At 31 December 2021	<u>-</u>	<u>(64,958)</u>

	Company 2021	Company 2020	Group 2021	Group 2020
	£	£	£	£
Being:	-	-	-	-
Deferred tax assets (note 13)	-	-	16,479	44,210
Deferred tax liabilities	-	-	(81,437)	-
	<u>-</u>	<u>-</u>	<u>(64,958)</u>	<u>44,210</u>

	Company 2021	Company 2020	Group 2021	Group 2020 as restated
	£	£	£	£
Fixed asset timing differences	-	-	(82,491)	13,810
Short-term timing differences	-	-	17,983	30,400
	<u>-</u>	<u>-</u>	<u>(64,958)</u>	<u>44,210</u>

HERO BRANDS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

17 Financial instruments

	Company 2021	Company 2020	Group 2021	Group 2020 as restated
	£	£	£	£
Financial assets				
Financial assets that are debt instruments measured at amortised cost	951,941	91,838	5,284,082	2,622,687
Financial liabilities				
Financial liabilities measured at amortised cost	268,719	17,288	4,920,984	3,326,560

Financial assets that are debt instruments measured at amortised cost comprise cash, trade debtors, other debtors, fixed asset investments, amounts owed by group undertakings and accrued income.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, amounts owed under hire purchase, accruals and other creditors.

18 Share capital - group

	2021 £	2020 £
Allotted, called up and fully paid		
Ordinary shares of £1 each	110	110
	<u>110</u>	<u>110</u>
Authorised		
Ordinary shares of £1 each	110	110
	<u>110</u>	<u>110</u>

19 Minority interest

	£
Brought forward at 1 January 2021	(45,885)
Share of subsidiary results	(33,863)
Carried forward at 31 December 2021	<u>(79,748)</u>

20 Analysis of net debt

Net debt comprises:

	1 January 2021 £	Cashflow £	31 December 2021 £
Cash at bank and in hand	732,207	(194,114)	538,093
Bank overdrafts	-	-	-
	<u>732,207</u>	<u>(194,114)</u>	<u>538,093</u>

HERO BRANDS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

21 Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £68,498 (2020: £12,132). Contributions totalling £7,961 (2020: £160,517) were payable to the funds at the reporting date and are included in creditors.

22 Control

The group is controlled by Athif Sarwar, shareholder, and director.

23 Related party transactions

Material amounts owed by related party undertakings:

United Wholesale (Scotland) Limited is a company owned by a close family member of a director of Hero Brands Limited. During the year the company advanced £1,268,783 (2020 - £911,794) to the group. During the year £nil (2020 - £912,632) was repaid. The balance due to the company included in the amounts owed by related undertakings, as at 31 December 2021 is £1,259,956 (2020 - £69,258).

24 Reserves

The group of company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium account

Includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from the share premium.

Capital redemption reserve

Includes amounts held to allow for the redemption of shares from capital.

Profit & loss account

Includes all current and prior year retained profits and losses, net dividends payable.

HERO BRANDS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

25 Prior period adjustment

During the year a number of items were identified which had been omitted from the prior year financial statements. Therefore we have processed a prior year adjustment to reflect this. Stock has increased by £134,894 for amounts not included. Debtors have increased by £338,133 due to cut off of invoices. Creditors have increased by £232,603 due to expenditure cut off and revision of corporation tax liability. The effect on the previously reported equity and profit is shown below:

Changes to the balance sheet	As previously reported	Adjustment	31 December 2020
	£	£	£
Current assets			
Stocks	35,010	134,894	169,904
Debtors due within one year	2,911,414	338,133	3,249,547
Creditors due within one year			
Other creditors	(4,374,734)	(232,603)	(4,607,337)
Net assets	2,529,552	240,424	2,769,976
Capital and reserves			
Profit and loss reserves	1,096,010	240,424	1,336,434

Changes to the profit and loss account	As previously reported	Adjustment	31 December 2020
	£	£	£
Period ended 31 December 2020			
Turnover	19,660,045	408,634	20,068,679
Cost of sales	(11,771,325)	84,394	(11,686,931)
Administrative expenses	(3,668,083)	(252,604)	(3,920,687)
Profit for financial period	1,083,979	240,424	1,324,403

Reconciliation of changes in equity	1 January 2020	31 December 2020
	£	£
Adjustments to prior year		
Additional income	-	408,633
Additional expenditure	-	(101,096)
Incorrect journals	-	(67,113)
Total adjustments	-	240,424
Equity as previously reported	1,855,595	2,529,552
Equity as adjusted	1,855,595	2,769,976

Analysis of the effect upon equity	
Profit and loss reserves	240,424

Reconciliation of changes in profit for the previous financial period	2020
	£
Adjustments to prior year	
Additional income	408,634
Additional expenditure	(101,097)
Incorrect journals	(67,113)
Total adjustments	240,424
Profit as previously reported	1,083,979
Profit as adjusted	1,324,403