# HO2 Management Limited

Annual Report and Financial Statements

Year Ended

31 December 2020

Company Number 05476134

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COMPANIES HOUSE

# HO2 Management Limited

## Company Information

| | |
|---|---|
| **Directors** | I Hakim<br>Z I Hakim<br>S Issa |
| **Company secretary** | Z I Hakim |
| **Registered number** | 05476134 |
| **Registered office** | Unit 317<br>India Mill Business Centre<br>Darwen<br>Lancashire<br>BB3 1AE |
| **Independent auditor** | BDO LLP<br>3 Hardman Street<br>Manchester<br>M3 3AT |

# HO2 Management Limited

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# HO2 Management Limited

## Group Strategic Report
## For the Year Ended 31 December 2020

The Directors present their Strategic Report for the year ended 31 December 2020.

**Principal activity**

The principal activity of the Group during the year under review was trading as opticians through retail outlets acquired through their subsidiary undertakings and managed by the Company. The principal activity of the Company is that of an intermediate holding company and provider of support services to the rest of the Group.

**Business review**

The Group's business model is to acquire majority control of independent practices in the UK and Ireland with local practice management typically retaining a minority equity stake. We are the largest consolidator in the market, retaining the local branding and approach to market while the Company provides back-office support. This back-office support includes accounting, IT, procurement, marketing support, facilities management and HR. The rate of acquisition of new practices has been increased following new investment into the Group in 2020.

This investment was made by First Wave I Limited on 11 June 2020. First Wave is controlled by the management shareholders who controlled HO2 Management with a minority investment by All Seas Capital Partners Limited ("All Seas".) The investment by All Seas allowed the Company to discharge most of its existing indebtedness and left the Group with significant cash resources to continue to acquire practices (£25.1m cash at bank at 31 December 2020). All Seas injected £25.6m into HO2 Management, £12.8m as an interest free loan from First Wave and £12.8m as a subscription for new shares in HO2 creating a large share premium account. HO2 bore £0.8m of transaction costs in relation to this which have been expensed as an exceptional item.

The year to December 2020 was impacted by the first wave of Covid and the lockdown period in which our outlets were forced to close which severely impacted revenue in that period. During subsequent waves of Covid the lockdown regime was less severe and practices continued to trade with social distancing measures in place. The Group accessed Government support in the form of furlough together with grants and loans at a number of the individual practices, to support the Group in this period. From the end of lockdown revenue recovered strongly as the optical market works on each practice having a patient list that is recalled at set intervals. Delayed appointments that should have happened during lockdown were deferred until later in the year, with the result that the full year outturn, while Covid impacted, was reasonably resilient.

Turnover for the Group amounted to £54.2m for the year ended 31 December 2020, compared with £50.2m for the year ended 31 December 2019.

Group profit for the year after taxation amounted to £3.8m compared with £2.0m for the previous year. Our preferred measure of profitability is EBITDA since the reported results are heavily impacted by goodwill amortisation which is a non-cash item. EBITDA was £13.6m for the year vs £7.9m for the year ended 31 December 2019.

At the year end date, Group net assets had increased by £15.7m since the previous year end as a result of the investment from All Seas. Net cash at bank totalled £25.1m. No debt line in place at 31 December 2020 had any covenants in place, so the business had large levels of funding availability to continue its strategy of purchasing majority control of further independent practices.

**Business review (continued)**

Contributions from business acquisitions during the year is shown in note 27, 25 companies were acquired in the year. We now have a truly national footprint across the UK together with a growing presence in Ireland. In December 2020, the Group invested £2.3m into a US subsidiary set up to replicate the UK business model in the US. This entity acquired 2 entities in the US during the financial year.

The Directors consider the state of the Group's affairs to be satisfactory and in line with their expansion plans, given the current economic climate and financing opportunities available. Trading in 2021 to date has been above budget in aggregate with strong conversion of appointments into revenue and pleasing average dispense values.

**Principal risks and uncertainties**

The board has overall responsibility for the Group's approach to assessing risk and the systems of internal control and for monitoring their effectiveness in providing its shareholders with a return that is consistent with a responsible assessment and mitigation of risks. We have set out below a number of risk factors that we believe could cause our actual future results to differ materially from expected results. However, other factors could adversely affect the results and so the factors set out below should not be considered to be a complete set of all potential risks and uncertainties.

***COVID-19***

In the first lockdown in 2020 our outlets were forced to close. Subsequent lockdowns have not involved site closures with any reduction in revenue due to social distancing and lower high street footfall being recovered when the lockdown was lifted. This is likely to sustain for the medium term which will increase the overall monthly trading volatility but is unlikely to materially impact full year results.

***Business conditions and the general economy***

The profitability of the Group could be adversely affected by a worsening of general economic conditions in the United Kingdom. Factors such as unemployment, interest rates and inflation could significantly affect the retail market. Whilst a short term worsening in economic conditions in the United Kingdom should not significantly adversely impact profitability, a sustained downturn over a number of years would be likely to lead to reduced profits. Brexit has not particularly impacted on trading results since a deal was struck without import tariffs and we are purchasing predominantly in sterling.

***Liquidity and financing***

Liquidity and financing risks relate to the Group's ability to pay for goods and services required to trade on a day to day basis. The Group has three main sources of financing which are, utilising cash reserves, borrowing from banks by way of borrowing facilities and from suppliers by way of trade credit. A reduction in facilities or a failure to renew them as they expire could lead to a significant reduction in the trading ability of the Group, albeit that total third party borrowings are limited and cash resources are strong.

***Interest rate risk***

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank borrowings. The Group's policy is to manage interest cost using a mixture of fixed and variable rate debt. The Group's exposure to interest rate fluctuations on its borrowings is managed by the use of commercial rates variously related to LIBOR and the Bank of England base rate.

***Credit risk***

The Group trades with only recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit vetting procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is mitigated.

***Regulatory compliance risk***

The Group is subject to regulatory compliance risk which can arise from a failure to comply fully with the laws, regulations or codes applicable, for example health and safety, licensing and fire regulations. Non compliance can lead to fines, enforced suspension from sale of certain products or public reprimand. The Group manages such risks by having specified individuals manage compliance with an escalation process through to board level.

**Key performance indicators**

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Sales | **54.2** | 50.2 |
| Gross profit | **40.1** | 36.1 |
| Operating profit (before goodwill amortisation and gain) | **11.8** | 7.1 |
| EBITDA before exceptional items | **13.6** | 7.9 |
| Bank loans | **4.9** | 8.6 |

**Employees**

We are fortunate to have committed workforce whose skills, expertise and passion make a significant contribution to the success of the business. We aim to be the employer of choice and are committed to ensuring colleagues are respected and their views are valued. Appropriate training and colleague communication programmes are maintained. The activities that impact on colleagues are closely monitored to ensure that both strategy and colleague engagement are aligned to keep the Company at the forefront of a competitive marketplace. During the year, the Company took steps to add strength and depth to the management team to support the further growth of the business.

The culture and leadership within the business remains strong evidenced by achieving the number one spot on the Sunday Times Best 100 companies to work for as well as the CEO receiving an award for best UK leader.

**Section 172 statement**

The Directors of the Group have acted in accordance with their duties codified in law, in particular their duty to act in the way in which they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its shareholders and other stakeholders as whole, having due regard to the matters set out in section 172 (1) of the Companies Act 2006.

The Board monitors and reviews the strategic objectives against forward plans. Regular reviews are held across key business areas, including; customer services. health, safety & the environment, operational and financial performance, risks and opportunities. The Group's performance is reviewed on a monthly basis.

The overriding principle in the governance of the Group is that of ensuring transparent conduct, reflecting equitable dealings with colleagues, customers, our supply chain and stakeholders. We project a clear vision of how we conduct business in all personal interactions and on our website. We aim to reinvigorate the Independent Optician sector in a manner that adheres to our principles. The ultimate endorsement of this approach is seen in the length of service of our colleagues and through the weight of new member practices joining the Group in recent years.

The Group takes its obligations towards all employees seriously and prides itself on being a business for whom people want to work. Given the changes to working practices and necessitated by Covid-19, the Directors are conscious that now, more than ever, this is a critical area of responsibility. More information regarding our communication with colleagues can be found within the Directors' Report. The aim of these communications is to ensure a high level of awareness among employees regarding the performance of the business, operational changes and its future strategic direction, in order that they feel informed and have ample opportunity to influence relevant aspects.

The Directors factor environmental matters into consideration as part of their decision-making process, in order to minimise the Company's impact on the environment wherever possible. By communicating our aims to employees and our suppliers, we strive to ensure that all parties are aware of their environmental responsibilities. The Directors are also mindful of the impact business can have within local communities. The initial aim is always to provide the local community with a practice delivering personable, empathetic and first class service. We seek to further our aims by taking our Corporate Social Responsibility seriously and have partnered with charitable organisations locally such as Bolton Lads and Girls Club, and worldwide such as Vision Aid Overseas.

The Directors' intentions are to behave responsibly towards all stakeholders as the Group maintains its significant rate of growth. We do this by keeping them appraised of our strategies, treating them fairly and equally, allocating each party an appropriate level of capital and through appropriate personal attention from board members or group colleagues, seeking to ensure they all benefit from the long-term success of the Group.

The Directors have overall responsibility for determining the Group's purpose, values and strategy and for ensuring high standards of governance, mindful of a world in which legislation plays an important role. The primary aim of the Directors is to promote the long-term sustainable success of the Group, generating value for all stakeholders. The Directors are constantly looking for talented and ambitious individuals who can inspire those around them. This has been part of the Group's core culture since its inception. The Directors desire is to continue this theme throughout the next financial year and beyond.

From a Corporate Governance perspective, the Group Board was strengthened following the All Seas investment, with a new chairman and non-executive appointed, with All Seas representatives also in attendance. This Board evaluates all key operational decision making such as the acquisitions in the US.

**COVID-19**

Throughout the Covid-19 pandemic we followed the government guidelines. All members of our teams were updated via briefs on regular occasions to ensure communications and adherence was achieved, this included the installation of barriers in offices, one-way systems for entering and leaving the buildings, extra wash and cleaning stations to keep our staff and customers safe at our practices and Head Office.

**Future developments**

The Directors look to the continued growth and development of the group and its subsidiaries. With these aims in mind the group continues to expand its reach on the high street by increasing the size and number of stores that it services.

**Going concern**

The Directors confirm they have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. This statement is made after reviewing future assumptions about trading performance contained within the Group's five year plan, as well as reviewing the Group's financing structure with substantial cash balances.

The budget set for 2021 assumed a recovery in underlying trading performance based on an easing of lockdown restrictions and the Group is currently trading above the budget. We have run sensitivities modelling the impact of further hard lockdowns and our view is that our cash resources are adequate.

This report was approved by the board on 2/12/21 and signed on its behalf.

I HAKIM

**I Hakim**
Director

# HO2 Management Limited

## Directors' Report
## For the Year Ended 31 December 2020

The Directors present their report and the audited financial statements for the year ended 31 December 2020.

**Results and dividends**

Group activities for the year and future prospects are set out in the strategic report.

The loss for the year, after taxation and minority interests, amounted to £408,000 (2019 - loss £415,000).

The Company paid a dividend during the year of £128,000 (2019 - £283,000).

**Directors**

The Directors who served during the year were:

I Hakim
Z I Hakim
S Issa

**Political contributions**

There were no political donations in the current or prior year.

**Engagement with employees**

The Group's policy is to consult and discuss with employees in staff councils and in meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the relevant and appropriate financial and economic factors affecting the Group's performance.

**Engagement with suppliers, customers and others**

The Group organises an annual retreat for all employees at which key suppliers organise product demonstrations and interact with Group employees which strengthens the working relationship with them. Similarly we have a long standing and loyal customer base who trust us with their eyecare. We communicate with them regularly and seek to offer them an outstanding service.

**Disabled employees**

It is the Group's policy to give disabled persons full and fair consideration for all job vacancies for which they offer themselves as suitable applicants, having regard to their particular experience, aptitude and ability. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Group continues and that the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

**Qualifying third party indemnity provisions**

The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the year. These provisions remain in force at the reporting date.

**Greenhouse gas emissions, energy consumption and energy efficiency action**

The Group has not disclosed information in respect of greenhouse gas emissions, energy consumption and energy efficiency action as its energy consumption in the United Kingdom for the year is 40,000kWh or lower.

**Matters covered in the Strategic Report**

In accordance with section 414C(11) of the Companies Act, certain matters required to be detailed in the Directors' Report are detailed in the Strategic Report where the Directors consider them to be of strategic importance to the Company.

**Disclosure of information to auditor**

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

**Events after the reporting period**

The Group has continued to acquire majority control of further optical practices post year end, with a further 34 companies being acquired.

**Auditor**

The auditor, BDO LLP, was appointed in the year and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 2|12|21 and signed on its behalf.

I HAKIM

**I Hakim**
*Director*

# HO2 Management Limited

## Directors' Responsibilities Statement
## For the Year Ended 31 December 2020

The Directors are responsible for preparing the Group 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 Group and Company 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 Group and Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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 Auditor's report to the members of HO2 Management Limited*

### Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of HO2 Management Limited (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of 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).

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

*Independence*

We are independent of the Group and 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.

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

We have nothing to report in this regard.

**Other Companies Act 2006 reporting**

In our opinion, based on the work undertaken in the course of the audit:

- *the information given in the Group 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 Group Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic report or the 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or

- the 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; 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, 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 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 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.

*Extent to which the audit was capable of detecting irregularities, including fraud*

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

Based on our understanding of the laws and regulations applicable to the Group and the sectors in which it operates we considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the Group accounting policies, international accounting standards, the UK Companies Act 2006; and industry related such as compliance with health and safety legislation, employment law and taxation legislation. All team members were briefed to inform them of any risks in respect of fraud and non-compliance with relevant laws and regulations in relation to their work. We obtained an understanding of the control environment in monitoring compliance with laws and regulations, enquired with management regarding matters pertaining to laws and regulations during the year, and reviewed any relevant correspondence arising to ensure these had been considered appropriately.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, revenue being recorded in the correct period around the year end and management bias in accounting estimates. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the inventory provisions and impairment of goodwill to identify any potential bias (as described in the key audit matters section above);
- Detailed testing of a sample of revenue items to ensure they were accounted for in the correct period;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or including specific keywords;
- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud; and
- Review of minutes of Board meetings throughout the period, to identify any inconsistencies with our audit work or matters of which we needed to be aware.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Use of our report**

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

DocuSigned by:
Steven Roberts
49BD0A55E7C14AD...

**Steven Roberts** (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom

02 December 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# HO2 Management Limited

## Consolidated Statement of Comprehensive Income
## For the Year Ended 31 December 2020

| | Note | 2020 £000 | As restated 2019 £000 |
|---|---|---|---|
| Turnover | 4 | **54,205** | 50,159 |
| Cost of sales | | **(14,139)** | (14,076) |
| **Gross profit** | | **40,066** | 36,083 |
| Administrative expenses | | **(32,385)** | (28,981) |
| Exceptional administrative expenses | 5 | **(802)** | - |
| Other operating income | 6 | **4,898** | 62 |
| Amortisation of goodwill | | **(4,679)** | (2,879) |
| **Operating profit** | | **7,098** | 4,285 |
| Interest receivable and similar income | | **2** | 2 |
| Interest payable and similar expenses | 11 | **(1,306)** | (822) |
| **Profit before taxation** | | **5,794** | 3,465 |
| Tax on profit | 12 | **(1,952)** | (1,468) |
| **Profit for the financial year** | | **3,842** | 1,997 |
| Currency translation differences | | **(245)** | - |
| **Other comprehensive income for the year** | | **(245)** | - |
| **Total comprehensive income for the year** | | **3,597** | 1,997 |
| **Profit for the year attributable to:** | | | |
| Non-controlling interests | | **4,250** | 2,412 |
| Owners of the parent Company | | **(408)** | (415) |
| | | **3,842** | 1,997 |
| **Total comprehensive income for the year attributable to:** | | | |
| Non-controlling interests | | **4,203** | 2,412 |
| Owners of the parent Company | | **(606)** | (415) |
| | | **3,597** | 1,997 |

The notes on pages 21 to 53 form part of these financial statements.

Details of the restatement are given in note 28.

# HO2 Management Limited

**Registered number:05476134**

## Consolidated Statement of Financial Position
## As at 31 December 2020

| | Note | 2020 £000 | 2020 £000 | As restated 2019 £000 | As restated 2019 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 14 | | **14,036** | | 12,116 |
| Tangible assets | 15 | | **4,620** | | 3,141 |
| | | | **18,656** | | 15,257 |
| **Current assets** | | | | | |
| Stocks | 17 | **3,965** | | 3,032 | |
| Debtors: amounts falling due within one year | 18 | **5,758** | | 3,953 | |
| Cash at bank and in hand | | **25,065** | | 4,483 | |
| | | **34,788** | | 11,468 | |
| Creditors: amounts falling due within one year | 19 | **(26,604)** | | (17,336) | |
| **Net current assets/(liabilities)** | | | **8,184** | | (5,868) |
| **Total assets less current liabilities** | | | **26,840** | | 9,389 |
| Creditors: amounts falling due after more than one year | 20 | | **(5,402)** | | (3,845) |
| **Provisions for liabilities** | | | | | |
| Deferred taxation | 23 | | **(436)** | | (282) |
| **Net assets** | | | **21,002** | | 5,262 |
| **Capital and reserves** | | | | | |
| Called up share capital | 24 | | **-** | | - |
| Share premium account | 25 | | **12,804** | | - |
| Profit and loss account | 25 | | **2,601** | | 3,335 |
| **Equity attributable to owners of the parent Company** | | | **15,405** | | 3,335 |
| Non-controlling interests | | | **5,597** | | 1,927 |
| **Total equity** | | | **21,002** | | 5,262 |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2/12/21

**I Hakim** I HAKIM
Director

The notes on pages 21 to 53 form part of these financial statements.

Details of the restatement are given in note 28.

# HO2 Management Limited
**Registered number:05476134**

## Company Statement of Financial Position
**As at 31 December 2020**

| | Note | 2020 £000 | 2020 £000 | As restated 2019 £000 | As restated 2019 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 15 | | 125 | | 90 |
| Investments | 16 | | 22,444 | | 14,856 |
| | | | 22,569 | | 14,946 |
| **Current assets** | | | | | |
| Stocks | 17 | 8 | | - | |
| Debtors: amounts falling due within one year | 18 | 4,223 | | 4,996 | |
| Cash at bank and in hand | | 11,171 | | 758 | |
| | | 15,402 | | 5,754 | |
| Creditors: amounts falling due within one year | 19 | (17,066) | | (10,978) | |
| **Net current liabilities** | | | (1,664) | | (5,224) |
| **Total assets less current liabilities** | | | 20,905 | | 9,722 |
| Creditors: amounts falling due after more than one year | 20 | | (1,158) | | (1,954) |
| **Provisions for liabilities** | | | | | |
| Deferred taxation | 23 | | (14) | | (6) |
| **Net assets** | | | 19,733 | | 7,762 |
| **Capital and reserves** | | | | | |
| Called up share capital | 24 | | - | | - |
| Share premium account | 25 | | 12,804 | | - |
| Profit and loss account brought forward | | 7,762 | | 4,951 | |
| Loss/(profit) for the year | | (705) | | 3,094 | |
| Other changes in the profit and loss account | | (128) | | (283) | |
| Profit and loss account carried forward | | | 6,929 | | 7,762 |
| **Total equity** | | | 19,733 | | 7,762 |

The financial statements were approved and authorised for issue by the board and were signed on its behalf 2/12/21

**I Hakim** I HAKIM
Director

The notes on pages 21 to 53 form part of these financial statements.

Details of the restatement are given in note 28.

# HO2 Management Limited

## Consolidated Statement of Changes in Equity
## For the Year Ended 31 December 2020

| | Called up share capital | Share premium account | Profit and loss account | Equity attributable to owners of parent Company | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| At 1 January 2020 (as previously stated) | - | - | 2,200 | 2,200 | 1,839 | 4,039 |
| Prior year adjustment (note 28) | - | - | 1,135 | 1,135 | 88 | 1,223 |
| At 1 January 2020 (as restated) | - | - | 3,335 | 3,335 | 1,927 | 5,262 |
| **Comprehensive income for the year** | | | | | | |
| Profit for the year | - | - | (408) | (408) | 4,250 | 3,842 |
| Currency translation differences | - | - | (198) | (198) | (47) | (245) |
| **Total comprehensive income for the year** | - | - | (606) | (606) | 4,203 | 3,597 |
| **Contributions by and distributions to owners** | | | | | | |
| Dividends: Equity capital | - | - | (128) | (128) | (2,663) | (2,791) |
| Shares issued during the year | - | 12,804 | - | 12,804 | - | 12,804 |
| On acquisition of subsidiaries | - | - | - | - | 2,364 | 2,364 |
| On disposal of subsidiaries | - | - | - | - | (234) | (234) |
| **Total transactions with owners** | - | 12,804 | (128) | 12,676 | (533) | 12,143 |
| **At 31 December 2020** | - | 12,804 | 2,601 | 15,405 | 5,597 | 21,002 |

The notes on pages 21 to 53 form part of these financial statements.

Details of the restatement are given in note 28.

# HO2 Management Limited

## Consolidated Statement of Changes in Equity
## For the Year Ended 31 December 2019

| | Called up share capital | Profit and loss account | Equity attributable to owners of parent Company | Non-controlling interests | Total equity |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| At 1 January 2019 | - | 1,871 | 1,871 | 2,297 | 4,168 |
| **Comprehensive income for the year** | | | | | |
| Profit for the year (as restated) | - | (415) | (415) | 2,412 | 1,997 |
| **Total comprehensive income for the year** | - | (415) | (415) | 2,412 | 1,997 |
| **Contributions by and distributions to owners** | | | | | |
| Dividends: Equity capital | - | (283) | (283) | (3,229) | (3,512) |
| On acquisition of subsidiaries | - | - | - | 359 | 359 |
| On disposal of subsidiaries | - | 2,162 | 2,162 | 88 | 2,250 |
| **Total transactions with owners** | - | 1,879 | 1,879 | (2,782) | (903) |
| **At 31 December 2019 (as restated)** | - | 3,335 | 3,335 | 1,927 | 5,262 |

The notes on pages 21 to 53 form part of these financial statements.

Details of the restatement are given in note 28.

# HO2 Management Limited

## Company Statement of Changes in Equity
## For the Year Ended 31 December 2020

| | Called up share capital | Share premium account | Profit and loss account | Total equity |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| At 1 January 2020 | - | - | 7,762 | 7,762 |
| **Comprehensive income for the year** | | | | |
| Loss for the year | - | - | (705) | (705) |
| **Total comprehensive income for the year** | - | - | (705) | (705) |
| **Contributions by and distributions to owners** | | | | |
| Dividends: Equity capital | - | - | (128) | (128) |
| Shares issued during the year | - | 12,804 | - | 12,804 |
| **Total transactions with owners** | - | 12,804 | (128) | 12,676 |
| **At 31 December 2020** | - | 12,804 | 6,929 | 19,733 |

## Company Statement of Changes in Equity
## For the Year Ended 31 December 2019

| | Called up share capital | Profit and loss account | Total equity |
|---|---|---|---|
| | £000 | £000 | £000 |
| At 1 January 2019 | - | 4,951 | 4,951 |
| **Comprehensive income for the year** | | | |
| Profit for the year | - | 3,094 | 3,094 |
| **Total comprehensive income for the year** | - | 3,094 | 3,094 |
| **Contributions by and distributions to owners** | | | |
| Dividends: Equity capital | - | (283) | (283) |
| **Total transactions with owners** | - | (283) | (283) |
| **At 31 December 2019** | - | 7,762 | 7,762 |

The notes on pages 21 to 53 form part of these financial statements.

# HO2 Management Limited

## Consolidated Statement of Cash Flows
## For the Year Ended 31 December 2020

| | 2020 £000 | As restated 2019 £000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the financial year | **3,842** | 1,997 |
| **Adjustments for:** | | |
| Amortisation of intangible assets | **4,679** | 2,879 |
| Depreciation of tangible assets | **989** | 770 |
| Profit on disposal of tangible assets | **(220)** | (1) |
| Interest payable | **1,306** | 822 |
| Interest receivable | **(2)** | (2) |
| Taxation charge | **1,952** | 1,468 |
| (Increase)/decrease in stocks | **(132)** | 93 |
| Decrease in debtors | **98** | 1,030 |
| Increase in creditors | **7,778** | 405 |
| Corporation tax paid | **(1,491)** | (1,396) |
| Interest paid | **(1,294)** | (822) |
| **Net cash generated from operating activities** | **17,505** | 7,243 |
| **Cash flows from investing activities** | | |
| Purchase of intangible fixed assets | **(1,046)** | (1,675) |
| Sale of intangible fixed assets | **140** | - |
| Purchase of tangible fixed assets | **(679)** | (596) |
| Sale of tangible fixed assets | **291** | 222 |
| Net cash outflow on acquisition of subsidiaries | **(3,522)** | (4,698) |
| Cash received from non-controlling interests on part disposal of subsidiaries and on incorporation of new subsidiaries | **1,518** | 2,250 |
| Interest received | **2** | 2 |
| **Net cash from investing activities** | **(3,296)** | (4,495) |

# HO2 Management Limited

## Consolidated Statement of Cash Flows (continued)
## For the Year Ended 31 December 2020

| | 2020 £000 | As restated 2019 £000 |
|---|---|---|
| **Cash flows from financing activities** | | |
| Issue of ordinary shares | **12,804** | - |
| New bank loans | **3,297** | 5,096 |
| Repayment of bank loans | **(7,293)** | (3,272) |
| Other new loans | **518** | - |
| New/(repayment of) finance leases | **223** | (152) |
| Dividends paid | **(128)** | (283) |
| Non-controlling interest dividends paid | **(2,663)** | (3,229) |
| **Net cash used in financing activities** | **6,758** | (1,840) |
| **Net increase in cash and cash equivalents** | **20,967** | 908 |
| Cash and cash equivalents at beginning of year | **4,322** | 3,414 |
| Foreign exchange gains and losses | **(246)** | - |
| **Cash and cash equivalents at the end of year** | **25,043** | 4,322 |
| **Cash and cash equivalents at the end of year comprise:** | | |
| *Cash at bank and in hand* | **25,065** | 4,483 |
| Bank overdrafts | **(22)** | (161) |
| | **25,043** | 4,322 |

The notes on pages 21 to 53 form part of these financial statements.

Details of the restatement are given in note 28.

## 1. General information

HO2 Management Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The registered office is given on the Company Information page and the nature of the Company's operations and its principal activities are detailed in the Strategic Report.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

The group and individual financial statements of HO2 Management Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The presentational and functional currency is pounds sterling and amounts presented are rounded to the nearest thousand.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

The following principal accounting policies have been applied:

### 2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

## 2. Accounting policies (continued)

### 2.3 Going concern

The Directors confirm they have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. This statement is made after reviewing future assumptions about trading performance contained within the Group's five year plan, as well as reviewing the Group's financing structure with substantial cash balances.

The budget set for 2021 assumed a recovery in underlying trading performance based on an easing of lockdown restrictions and the Group is currently trading above the budget. We have run sensitivities modelling the impact of further hard lockdowns and our view is that our cash resources are adequate.

### 2.4 Foreign currency translation

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

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

At each 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 and 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 recognised 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 Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

## 2. Accounting policies (continued)

### 2.5 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts, to the extent that the Group has a right to consideration arising from the performance of its contractual arrangements. Turnover is recognised on despatch for wholesale transactions and at the point of collection for retail transactions. Turnover relating to services is recognised when the service has been provided.

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer; the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the group; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group receives income from suppliers in the form of incentives, discounts and promotional support. Such income is recognised within cost of sales when earned.

### 2.6 Pensions

**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 Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

### 2.7 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

### 2.8 Leased assets: the Group as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

## 2. Accounting policies (continued)

### 2.9 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

### 2.10 Government grants

Grants are accounted 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 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.

Payments received from the government for furloughed employees are a form of grant. This grant money is receivable as compensation for expenses already incurred, and where this is not in respect of future related costs, is recognised in income in the period in which it becomes receivable and the related expense is incurred.

### 2.11 Interest income

Interest income is recognised in profit or loss using the effective interest method.

### 2.12 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### 2.13 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

## 2. Accounting policies (continued)

### 2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

### 2.15 Intangible assets

**Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

The periods chosen for writing off goodwill are based on reliable estimates of future cash flows arising from each acquisition. These estimates are reviewed at each reporting date. In absence of indications to the contrary, the useful economic life is assumed to be five years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

## 2. Accounting policies (continued)

### 2.16 Tangible fixed assets

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.

At each reporting date the Group assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

| | | | |
|---|---|---|---|
| Freehold property | - | 2% | straight line |
| Long-term leasehold property | - | 2% | straight line |
| Plant, machinery and vehicles | - | 25% | straight line and 20-25% reducing balance |

The assets' 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

### 2.17 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

### 2.18 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

### 2.19 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

## 2. Accounting policies (continued)

### 2.20 Cash and cash equivalents

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

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

### 2.21 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### 2.22 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

## 2. Accounting policies (continued)

### 2.23 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.

## 3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Group's and the parent 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below:

- Valuation and life of tangible fixed assets - The useful economic life of tangible fixed assets is judged at the point of purchase and is then re-assessed at each reporting date. A useful economic life of each asset class is stated above within the accounting policies for tangible assets.

- Valuation and life of intangible fixed assets - The useful economic life of goodwill is based upon the Directors' assessment of various pertinent matters including but not restricted to, the stability of the industry, current and expected gross contribution from the site, barriers to competition and the durability of customer bases in the locality. The useful economic life of goodwill is stated above within the accounting policies for intangible assets.

- Provision for irrecoverable trade debtors - At each year end date, management undertake a review of the outstanding trade debtor balances and estimate the balance that should either be impaired or provided against. This calculation is based on the financial position of the customers, the historical speed of payment and any ongoing discussions.

- Provision for slow moving or obsolete stock - At each year end date, management undertake a review of stock balances and estimate the balance that should either be impaired or provided against. This calculation is based on the individual stock aging profile, expected sales at each retail site, expectations over current fashion trends and with due regard to arrangements over stock returns which may exist with suppliers.

- Impairment assessment and estimation of recoverable value of goodwill - At each year end date management review whether the carrying value of each facet of goodwill is impaired, bearing in mind the same factors noted above.

## 4. Turnover

An analysis of turnover by class of business is as follows:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Retail optical sales | **54,205** | 49,064 |
| Other optical sales | **-** | 1,095 |
| | **54,205** | 50,159 |

Analysis of turnover by country of destination:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| United Kingdom | **51,723** | 48,079 |
| Republic of Ireland | **2,482** | 2,080 |
| | **54,205** | 50,159 |

## 5. Exceptional items

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Legal and professional fees | **642** | - |
| Early loan repayment charges | **160** | - |
| | **802** | - |

Exceptional legal and professional fees along with early loan repayment charges were incurred by the Company in the year in respect of the acquisition of the Company by First Wave I Limited.

## 6. Other operating income

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Government grants receivable and furlough income | **4,898** | 62 |

**Notes to the Financial Statements**
**For the Year Ended 31 December 2020**

## 7. Operating profit

The operating profit is stated after charging/(crediting):

| | 2020 £000 | As restated 2019 £000 |
|---|---|---|
| Depreciation of tangible assets | **989** | 770 |
| Profit on disposal of tangible assets | **(218)** | (1) |
| Operating lease charges | **2,573** | 2,200 |

## 8. Auditor's remuneration

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements | **102** | 76 |

**Fees payable to the Group's auditor and its associates in respect of:**

| | | |
|---|---|---|
| Accounts preparation | **5** | - |

## 9. Employees

Staff costs, including Directors' remuneration, were as follows:

| | Group 2020 £000 | Group 2019 £000 | Company 2020 £000 | Company 2019 £000 |
|---|---|---|---|---|
| Wages and salaries | **18,726** | 14,711 | **2,305** | 159 |
| Social security costs | **1,288** | 927 | **218** | 132 |
| Cost of defined contribution scheme | **467** | 312 | **37** | 28 |
| | **20,481** | 15,950 | **2,560** | 319 |

The total key management personnel remuneration was £3,399,000 (2019 - £2,909,000).

The average monthly number of employees of the Group, including the Directors, during the year was as follows:

| | 2020 No. | 2019 No. |
|---|---|---|
| Management (including Directors) | **168** | 147 |
| Operational | **80** | 67 |
| Retail outlets | **828** | 610 |
| | **1,076** | 824 |

The Company has no employees other than the Directors.

## 10. Directors' remuneration

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Directors' emoluments | **15** | 38 |

During the year retirement benefits were accruing to 3 Directors (2019 - Nil) in respect of defined contribution pension schemes.

## 11. Interest payable and similar expenses

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Bank interest payable | **1,291** | 797 |
| Finance leases and hire purchase contracts | **12** | 10 |
| Other interest payable | **3** | 15 |
| | **1,306** | 822 |

## 12. Taxation

| | 2020 £000 | 2019 £000 |
|---|---|---|
| **Corporation tax** | | |
| Current tax on profits for the year | **1,899** | 1,448 |
| Adjustments in respect of previous periods | **-** | (10) |
| **Total current tax** | **1,899** | 1,438 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | **53** | (40) |
| Adjustments in respect of prior periods | **-** | 70 |
| **Total deferred tax** | **53** | 30 |
| **Taxation on profit** | **1,952** | 1,468 |

## 12. Taxation (continued)

### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Profit before tax | **5,794** | 3,465 |
| Profit multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%) | **1,101** | 658 |
| **Effects of:** | | |
| Expenses not deductible for tax purposes | **1,451** | 525 |
| Deferred tax not recognised on tax losses movement | **-** | 225 |
| Adjustments to tax charge in respect of prior periods | **-** | 60 |
| Group relief | **(600)** | - |
| **Total tax charge for the year** | **1,952** | 1,468 |

### Factors that may affect future tax charges

An increase in the future main corporation tax rate to 25% from 1 April 2023, from the previously enacted 19%, was announced in the budget on 3 March 2021, and substantively enacted on 24 May 2021. The deferred tax balance at the year end has been calculated based on the rate as at the year end date. The change in the rate is not expected to be material.

Deferred tax has not been provided on tax losses on the basis that these losses are not expected to be recovered in the foreseeable future. The estimated unprovided deferred tax on these losses carried forward at the year-end was £531,317 (2019 - £271,000).

## 13. Dividends

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Dividends paid of £1,280 (2019 - £2,830) per share | **128** | 283 |

## 14. Intangible assets

### Group

| | Goodwill £000 |
|---|---|
| **Cost** | |
| At 1 January 2020 (as previously stated) | **21,425** |
| *Prior Year Adjustment* | **1,017** |
| At 1 January 2020 (as restated) | **22,442** |
| Additions | **468** |
| Disposals | **(29)** |
| On acquisition of subsidiaries | **6,160** |
| At 31 December 2020 | **29,041** |
| **Amortisation** | |
| At 1 January 2020 (as previously stated) | **11,228** |
| Prior Year Adjustment | **(902)** |
| At 1 January 2020 (as restated) | **10,326** |
| Charge for the year | **4,679** |
| At 31 December 2020 | **15,005** |
| **Net book value** | |
| At 31 December 2020 | **14,036** |
| At 31 December 2019 (as restated) | 12,116 |

Details of the restatement are given in note 28.

## 15. Tangible fixed assets

**Group**

| | Freehold land and property £000 | Long-term leasehold land and property £000 | Plant, machinery and vehicles £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2020 (as previously stated) | **538** | **934** | **10,114** | **11,586** |
| *Prior Year Adjustment* | **-** | **(89)** | **(986)** | **(1,075)** |
| At 1 January 2020 (as restated) | **538** | **845** | **9,128** | **10,511** |
| Additions | **-** | **-** | **1,187** | **1,187** |
| Acquisition of subsidiary | **381** | **142** | **940** | **1,463** |
| Disposals | **-** | **(108)** | **(145)** | **(253)** |
| At 31 December 2020 | **919** | **879** | **11,110** | **12,908** |
| **Depreciation** | | | | |
| At 1 January 2020 (as previously stated) | **-** | **680** | **7,765** | **8,445** |
| Prior Year Adjustment | **-** | **(89)** | **(986)** | **(1,075)** |
| At 1 January 2020 (as restated) | **-** | **591** | **6,779** | **7,370** |
| Charge for the year | **97** | **26** | **866** | **989** |
| Disposals | **-** | **(61)** | **(10)** | **(71)** |
| At 31 December 2020 | **97** | **556** | **7,635** | **8,288** |
| **Net book value** | | | | |
| At 31 December 2020 | **822** | **323** | **3,475** | **4,620** |
| At 31 December 2019 | 538 | 254 | 2,349 | 3,141 |

The prior year adjustment relates to an error in the prior year in that assets acquired as a result of business combinations were not shown net of cost and accumulated depreciation. This has been corrected with no impact on the net book value.

*The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:*

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Plant, machinery and vehicles | **474** | 379 |

## 15. Tangible fixed assets (continued)

**Company**

| | Long-term leasehold property £000 | Plant and machinery £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2020 | **11** | **289** | **300** |
| Additions | **-** | **75** | **75** |
| At 31 December 2020 | **11** | **364** | **375** |
| **Depreciation** | | | |
| At 1 January 2020 | **3** | **207** | **210** |
| Charge for the year | **-** | **40** | **40** |
| At 31 December 2020 | **3** | **247** | **250** |
| **Net book value** | | | |
| At 31 December 2020 | **8** | **117** | **125** |
| At 31 December 2019 | 8 | 82 | 90 |

## 16. Fixed asset investments

**Company**

| | Investments in subsidiary companies £000 |
|---|---|
| **Cost** | |
| At 1 January 2020 (as previously stated) | **14,160** |
| Prior Year Adjustment (note 28) | **696** |
| At 1 January 2020 (as restated) | **14,856** |
| Additions | **9,388** |
| Disposals | **(292)** |
| At 31 December 2020 | **23,952** |
| **Impairment** | |
| At 1 January 2020 | - |
| Charge for the period | **1,508** |
| At 31 December 2020 | **1,508** |
| **Net book value** | |
| At 31 December 2020 | **22,444** |
| At 31 December 2019 (as restated) | 14,856 |

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

| Name | Class of shares | Holding |
|---|---|---|
| Janet Porter Optical LLP | Ordinary | 53% |
| *Terry and Associates Limited* | *Oridnary* | 50% |
| Shearwater Optics Ltd | Ordinary | 50% |
| Irlam Optical Ltd | Ordinary | 50% |
| New Brighton Optical Ltd | Ordinary | 50% |
| Waterloo Eye Centre LLP | Ordinary | 50% |
| Camforth Optical Ltd | Ordinary | 25% |
| BB Optical Ltd | Ordinary | 50% |
| *Clamp Optometrists Limited* | *Ordinary* | 50% |
| Tyrrells & Embery Ltd | Ordinary | 50% |

## 16. Fixed asset investments (continued)

| Name | Class of shares | Holding |
|---|---|---|
| Adlam and Coomber Optometrists Limited | Ordinary | 60% |
| Makerfield Optical Limited | Ordinary | 75% |
| Stokers Optical Ltd | Ordinary | 65% |
| VW Optical Ltd | Ordinary | 50% |
| Halsey Optical Ltd | Ordinary | 75% |
| Biddle Optical Ltd | Ordinary | 100% |
| C.P.T Holdings Limited | Ordinary | 50% |
| Netherton Eye Centre Limited* | Ordinary | 100% |
| Peters Optical Newmarket Ltd | Ordinary | 60% |
| Robert & Quinn Optical Ltd | Ordinary | 50% |
| Suzanne Dennis Optometrist Limited | Ordinary | 50% |
| Morans Optical Ltd | Ordinary | 50% |
| Paul Cheetham Optical Ltd | Ordinary | 50% |
| Walsh Optical Ltd | Ordinary | 50% |
| Eyesentials Limited | Ordinary | 50% |
| Madeley Optical Ltd | Ordinary | 80% |
| Newbold Optical Ltd | Ordinary | 50% |
| Evington Eyecare Ltd | Ordinary | 50% |
| Bridgnorth Optical Ltd | Ordinary | 100% |
| McGovern Hakim Limited | Ordinary | 50% |
| V.J. Hughes Limited | Ordinary | 75% |
| Wendy Diddams Limited | Ordinary | 50% |
| Enfield Optical Limited | Ordinary | 50% |
| Premier Optics Ltd* | Ordinary | 100% |
| James Kidner Opticians Limited | Ordinary | 50% |
| David Henderson Optical Ltd | Ordinary | 60% |
| H W Williams (Optometrists) Limited | Ordinary | 50% |
| Daybell & Choo (Eyecare) LLP | Ordinary | 68.5% |
| Ellerker Eyewear Limited | Ordinary | 50% |
| Millicans Optical Ltd | Ordinary | 50% |
| Sarah Dineen Limited | Ordinary | 50% |
| Holland Opticians Limited | Ordinary | 50% |
| Kimberley Opticians Partnership | Ordinary | 50% |
| SeeDerby Ltd | Ordinary | 50% |
| Tropia Limited | Ordinary | 50% |
| Columbo Limited | Ordinary | 75% |
| Dr Stella Griffiths Limited | Ordinary | 50% |
| Smith & Swepson Opticians Limited | Ordinary | 50% |
| David Wood Optical Ltd | Ordinary | 50% |
| Harris Opticians Limited | Ordinary | 55% |
| Harris Opticians (Heswall) Limited | Ordinary | 60% |
| James Bryan Opticians Limited | Ordinary | 62.5% |
| Eyesite Practices Limited | Ordinary | 80% |
| Eyesite Weybridge Limited | Ordinary | 80% |
| Eyesite Woking Limited | Ordinary | 50% |
| Urban Optics Limited | Ordinary | 60% |
| Anne Irving Optometrist Limited | Ordinary | 50% |
| Ellesmere Optical Limited | Ordinary | 50% |
| Skilbeck & Jones (Opticians) Limited* | Ordinary | 100% |
| Richard Haynes Limited | Ordinary | 50% |
| YES Optical Group Limited | Ordinary | 75% |
| Yates & Suddell (Walkden) Limited* | Ordinary | 100% |

16. *Fixed asset investments (continued)*

| Name | Class of shares | Holding |
|---|---|---|
| Barrow Optical Ltd | Ordinary | 50% |
| Helston Optical Ltd | Ordinary | 50% |
| Ryde Optical Ltd | Ordinary | 60% |
| Pryor and Clacher Limited | Ordinary | 50% |
| Heath Optometric Limited | Ordinary | 50% |
| Second Sight CL Limited | Ordinary | 50% |
| Castlerea Optical Limited | Ordinary | 50% |
| Eye2Eye Optical Birkenhead Ltd | Ordinary | 100% |
| Eye2Eye Optical Heswall Ltd | Ordinary | 75% |
| Eye2Eye Optical Upton Ltd | Ordinary | 70% |
| G. A. Robinson Optometrists Limited | Ordinary | 100% |
| Golden & Harper Limited | Ordinary | 50% |
| K. France (Opticians) Limited* | Ordinary | 100% |
| Memory Opticians Limited | Ordinary | 55% |
| Peter Bowers Optical Ltd | Ordinary | 75% |
| Tracey York-Andrews Eye Care Excellence Ltd | Ordinary | 50% |
| J. Woodling Opticians Ltd | Ordinary | 50% |
| Simon Browning Optical Ltd | Ordinary | 75% |
| Wigrarn & Ware Limited | Ordinary | 50% |
| Botley Optical Ltd | Ordinary | 60% |
| Skye Optometrists Limited | Ordinary | 60% |
| Hazel Smith Optical Ltd | Ordinary | 50% |
| Harold I. Silverberg Limited | Ordinary | 50% |
| Stephen Evans Optical Limited | Ordinary | 50% |
| Pinder & Moore Limited | Ordinary | 50% |
| Tim Roebuck Optician Limited | Ordinary | 90% |
| S Donne (Bedford) Limited | Ordinary | 75% |
| Galway Independent Opticians Limited | Ordinary | 50% |
| Staples Optical Limited | Ordinary | 50% |
| Brosgill Eyewear Limited | Ordinary | 50% |
| Optima (Exeter) Ltd. | Ordinary | 50% |
| Leyland Optical Limited | Ordinary | 50% |
| Stephens Opticians Limited | Ordinary | 100% |
| Pullen and Symes Limited | Ordinary | 80% |
| Gill Opticians Ltd | Ordinary | 57.5% |
| Keith Murphy Opticians Limited | Ordinary | 50% |
| Enderbys of Boston Limited | Ordinary | 100% |
| Kelly Optometry Limited** | Ordinary | 50% |
| Welbourne Opticians Ltd** | Ordinary | 50% |
| Cooper & Leatherbarrow Ltd** | Ordinary | 75% |
| WSM Optical Limited** | Ordinary | 50% |
| Heals Opticians** | Ordinary | 100% |
| Face Furniture Ltd** | Ordinary | 100% |
| Dawkins & Lodge Ltd** | Ordinary | 75% |
| Nicola Fenner Ltd** | Ordinary | 50% |
| Davies Optometrists Ltd** | Ordinary | 50% |
| Davies MH Ltd** | Ordinary | 50% |
| Aden Walsh Ltd** | Ordinary | 75% |
| Innovative Eyecare Ltd** | Ordinary | 50% |
| Norville Retail Ltd** | Ordinary | 100% |
| Bruce Avery Limited** | Ordinary | 50% |
| Willets & Doig Ltd** | Ordinary | 50% |

## 16. Fixed asset investments (continued)

| Name | Class of shares | Holding |
|---|---|---|
| DR and J Searle Limited** | Ordinary | 100% |
| T J Crompton Ltd** | Ordinary | 50% |
| Sports Eyewear I td** | Ordinary | 50% |
| Glos Mec Limited** | Ordinary | 100% |
| Look Opticians Limited** | Ordinary | 50% |
| E&G Optical Ltd** | Ordinary | 100% |
| BBR Optometry Ltd** | Ordinary | 50% |
| Cataylst Vision Holdings LLC** | Ordinary | 70% |
| Jasper Eye Care Inc.*,** | Ordinary | 100% |
| Power Practice Corp.*,** | Ordinary | 100% |

Subsidiary undertakings marked with a single asterisk are held indirectly.

Subsidiary undertakings marked with a double asterisk were acquired in the year.

All subsidiary undertakings business activity is retail optician outlets.

The Company has chosen in accordance with Companies Act 2006, S479A not to audit the individual subsidiary undertakings and provide a parent company guarantee on behalf of these undertakings.

The registered offices of the subsidiary undertakings are as follows:

| | |
|---|---|
| Shearwater Optics Ltd | 35 Bucks Rd, Douglas, IM1 3DE, Isle 01 Man |
| McGovern Hakim Limited | Market Lane, Westport, Co. Mayo, D07 XEW4, Republic of Ireland |
| Urban Optics Limited | Scolts St, Killarney, Co. Kerry, Republic of Ireland |
| Castlerea Optical Limited | 7 Lowpark Ave, Chartestown, Co. Mayo, F12 DK64, Republic of Ireland |
| Tim Roebuck Optician Limited | 4 King Street, Penrith, Cumbria, CA11 7AR, England |
| Galwey Independent Opticians Limited | Corner House, Woodquay, Galway, H91 FW10, Republic of Ireland |
| Kelly Optometry Ltd | Sandymount House, Newport co, Mayo Newport Mayo, Republic of Ireland |
| Aden Walsh Ltd | Columcille House, William Street, Tullamore co, Offaly, Republic of Ireland |
| Catalyst Vision Holdings | 847 S. Newport Avenue, Tampa, Florida |
| Jasper Eye Care Inc. | 319 Belvedere Rd, Suite 1, West Palm Beach, Florida |
| Power Practice Corp. | 319 Belvedere Rd, Suite 1, West Palm Beach, Florida |

All other subsidiary undertakings have registered office Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England.

Subsidiaries listed above that are 50% owned or less are consolidated as they are controlled by HO2 Management Limited through their ability to appoint and remove Directors.

## 17. Stocks

| | Group 2020 £000 | Group 2019 £000 | Company 2020 £000 | Company 2019 £000 |
|---|---|---|---|---|
| Goods for resale | **3,965** | 3,032 | **8** | - |

The difference between purchase price or production cost of stocks and their replacement cost is not material.

An impairment charge of £Nil (2019 - £Nil) was recognised in the Consolidated Statement of Comprehensive Income in the year in respect of slow-moving or obsolete stock.

## 18. Debtors

| | Group 2020 £000 | Group As restated 2019 £000 | Company 2020 £000 | Company As restated 2019 £000 |
|---|---|---|---|---|
| Trade debtors | **2,744** | 1,952 | **602** | 470 |
| Amounts owed by group undertakings | - | - | **3,104** | 3,324 |
| Other debtors | **2,279** | 1,470 | **347** | 1,014 |
| Prepayments and accrued income | **682** | 531 | **170** | 188 |
| Tax recoverable | **53** | - | - | - |
| | **5,758** | 3,953 | **4,223** | 4,996 |

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

An impairment charge of £Nil (2019 - £Nil) was recognised in the Consolidated Statement of Comprehensive Income in the year in respect of bad or doubtful debts.

Details of the restatement are given in note 28.

## 19. Creditors: Amounts falling due within one year

| | Group 2020 £000 | Group As restated 2019 £000 | Company 2020 £000 | Company As restated 2019 £000 |
|---|---|---|---|---|
| Bank overdrafts | **22** | 161 | **-** | - |
| Bank loans | **1,058** | 7,069 | **167** | 6,319 |
| Other loans | **418** | - | **-** | - |
| Trade creditors | **3,323** | 2,401 | **225** | 331 |
| Amounts owed to group undertakings | **12,799** | - | **13,121** | 321 |
| Corporation tax | **2,057** | 1,649 | **-** | - |
| Other taxation and social security | **906** | 519 | **212** | 166 |
| Obligations under finance lease and hire purchase contracts | **342** | 203 | **-** | - |
| Directors loan accounts | **543** | 40 | **-** | 40 |
| Other creditors | **4,083** | 5,013 | **3,187** | 3,722 |
| Accruals and deferred income | **1,053** | 281 | **154** | 79 |
| | **26,604** | 17,336 | **17,066** | 10,978 |

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

Details of the restatement are given in note 28.

## 20. Creditors: Amounts falling due after more than one year

| | Group 2020 £000 | Group As restated 2019 £000 | Company 2020 £000 | Company As restated 2019 £000 |
|---|---|---|---|---|
| Bank loans | **4,242** | 2,227 | **778** | 975 |
| Other loans | **100** | - | **-** | - |
| Obligations under finance leases and hire purchase contracts | **392** | 296 | **-** | - |
| Other creditors | **668** | 1,322 | **380** | 979 |
| | **5,402** | 3,845 | **1,158** | 1,954 |

The loans are secured by fixed and floating charges over the Company's assets.

Details of the restatement are given in note 28.

## 21. Loans

| | Group 2020 £000 | Group As restated 2019 £000 | Company 2020 £000 | Company As restated 2019 £000 |
|---|---|---|---|---|
| **Amounts falling due within one year** | | | | |
| Bank loans | **1,058** | 7,069 | **167** | 6,319 |
| Other loans | **418** | - | **-** | - |
| | **1,476** | 7,069 | **167** | 6,319 |
| **Amounts falling due 1-2 years** | | | | |
| Bank loans | **2,716** | 1,360 | **778** | 975 |
| Other loans | **100** | - | **-** | - |
| | **2,816** | 1,360 | **778** | 975 |
| **Amounts falling due 2-5 years** | | | | |
| Bank loans | **1,526** | 823 | **-** | - |
| **Amounts falling due after more than 5 years** | | | | |
| Bank loans | **-** | 44 | **-** | - |
| | **5,818** | 9,296 | **945** | 7,294 |

## 22. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

| | Group 2020 £000 | Group 2019 £000 |
|---|---|---|
| Within one year | **342** | 203 |
| Between 1-5 years | **392** | 296 |
| | **734** | 499 |

Obligations under finance lease and hire purchase contracts are secured over the assets to which they relate.

## 23. Deferred taxation

### Group

| | 2020 £000 | 2019 £000 |
|---|---|---|
| At beginning of year | **282** | - |
| Charged to profit or loss | **53** | 282 |
| Arising on business combinations | **101** | - |
| ***At end of year*** | **436** | 282 |

### Company

| | 2020 £000 | 2019 £000 |
|---|---|---|
| At beginning of year | **6** | - |
| Charged to profit or loss | **8** | 6 |
| **At end of year** | **14** | 6 |

The provision for deferred taxation is made up as follows:

| | Group 2020 £000 | Group 2019 £000 | Company 2020 £000 | Company 2019 £000 |
|---|---|---|---|---|
| Accelerated capital allowances | **436** | 282 | **14** | 6 |

## 24. Share capital

| | 2020 £000 | 2019 £000 |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 200 (2019 - 100) Ordinary shares of £1.00 each | - | - |

Ordinary shares rank pari passu in all respects.

During the year, the Company issued a further 100 Ordinary £1 shares at a premium of £128,040 per share.

## 25. Reserves

The Company's capital and reserves are as follows:

**Called up share capital**

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

**Share premium account**

Share premium account represents the premium on equity shares issued net of transaction costs.

**Profit and loss account**

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments which are attributable to the owners of the Company.

## 26. Analysis of net debt

| | At 1 January 2020 £000 | Cash flows £000 | Acquisition of subsidiaries £000 | Other non-cash changes £000 | At 31 December 2020 £000 |
|---|---|---|---|---|---|
| Cash at bank and in hand | 4,483 | 18,789 | 1,793 | - | 25,065 |
| Bank overdrafts | (161) | 139 | - | - | (22) |
| Debt due after 1 year | (2,227) | (3,591) | - | 1,476 | (4,342) |
| Debt due within 1 year | (7,069) | 7,069 | - | (1,476) | (1,476) |
| Finance leases | (499) | (223) | - | (12) | (734) |
| | (5,473) | 22,183 | 1,793 | (12) | 18,491 |

## 27. Business combinations

The below table represents 22 of the total 25 acquisitions made in the year which have been aggregated together as they are individually immaterial.

**Recognised amounts of identifiable assets acquired and liabilities assumed**

| | Book value £'000 | Fair value adjustment £'000 | Fair value £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangibles | **1,358** | **-** | **1,358** |
| | **1,358** | **-** | **1,358** |
| **Current assets** | | | |
| Stocks | **661** | **-** | **661** |
| Debtors due within one year | **1,461** | **-** | **1,461** |
| Cash | **1,418** | **-** | **1,418** |
| **Total assets** | **4,898** | **-** | **4,898** |
| **Creditors** | | | |
| Due within one year | **(2,050)** | **-** | **(2,050)** |
| Due after more than one year | **(765)** | **-** | **(765)** |
| Deferred tax | **(94)** | **-** | **(94)** |
| **Total liabilities** | **(2,909)** | **-** | **(2,909)** |
| **Total identifiable net assets** | | | **1,989** |
| Goodwill | | | **4,008** |
| Non-controlling interests | | | **(612)** |
| **Total purchase consideration** | | | **5,385** |
| **Consideration** | | | |
| Cash | | | **3,104** |
| Deferred consideration | | | **2,186** |
| Directly attributable costs | | | **95** |
| **Total purchase consideration** | | | **5,385** |
| **Cash outflow on acquisition** | | | |
| Purchase consideration settled in cash, as above | | | **3,104** |
| Directly attributable costs | | | **95** |
| Less: Cash and cash equivalents acquired | | | **(1,418)** |
| **Net cash outflow on acquisition** | | | **1,781** |

## 27. Business combinations (continued)

The results of the new subsidiaries since acquisition are as follows:

| | £'000 |
|---|---|
| Turnover | 7,126 |
| Profit for the period | 1,112 |

*Acquisition of Heals Opticians Limited*

On 2 March 2020, the Company purchased 100% of the share capital of Heals Opticians Limited for total consideration of £913,000.

**Recognised amounts of identifiable assets acquired and liabilities assumed**

| | Book value £'000 | Fair value adjustment £'000 | Fair value £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangibles | 39 | - | 39 |
| | 39 | - | 39 |
| **Current assets** | | | |
| Stocks | 70 | - | 70 |
| Debtors due within one year | 434 | - | 434 |
| Cash | 113 | - | 113 |
| **Total assets** | 656 | - | 656 |
| **Creditors** | | | |
| *Due within one year* | (53) | - | (53) |
| Deferred tax | (7) | - | (7) |
| ***Total liabilities*** | (60) | - | (60) |
| **Total identifiable net assets** | | | 596 |
| *Goodwill* | | | 317 |
| **Total purchase consideration** | | | 913 |

## 27. Business combinations (continued)

| | £'000 |
|---|---|
| **Consideration** | |
| Cash | 167 |
| Deferred consideration | 723 |
| Directly attributable costs | 23 |
| **Total purchase consideration** | 913 |

| | |
|---|---|
| **Cash outflow on acquisition** | |
| Purchase consideration settled in cash, as above | 167 |
| Directly attributable costs | 23 |
| Less: Cash and cash equivalents acquired | (113) |
| **Net cash outflow on acquisition** | 77 |

The results of Heals Opticians Limited since acquisition are as follows:

| | £'000 |
|---|---|
| Turnover | 395 |
| Profit for the period | 82 |

27. **Business combinations (continued)**

*Acquisition of Power Practice and Catalyst Vision Partners LLC*

On 1 December 2020, Catalyst Vision Holdings LLC, a subsidiary of the Company, purchased 100% of the share capital of Power Practice and Catalyst Vision Partners LLC for total consideration of $2,633,000 (£1,926,000).

**Recognised amounts of identifiable assets acquired and liabilities assumed**

| | Book value £'000 | Fair value adjustment £'000 | Fair value £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangibles | **66** | - | **66** |
| | **66** | - | **66** |
| **Current assets** | | | |
| Debtors due within one year | **7** | - | **7** |
| Cash | **262** | - | **262** |
| **Total assets** | **335** | - | **335** |
| **Creditors** | | | |
| Due within one year | **(244)** | - | **(244)** |
| **Total liabilities** | **(243)** | - | **(243)** |
| **Total identifiable net assets** | | | **91** |
| Goodwill | | | **1,835** |
| **Total purchase consideration** | | | **1,926** |
| **Consideration** | | | |
| Cash | | | **1,761** |
| Directly attributable costs | | | **165** |
| **Total purchase consideration** | | | **1,926** |

## 27. Business combinations (continued)

| | £'000 |
|---|---|
| **Cash outflow on acquisition** | |
| Purchase consideration settled in cash, as above | 1,761 |
| Directly attributable costs | 165 |
| Less: Cash and cash equivalents acquired | (262) |
| **Net cash outflow on acquisition** | 1,664 |

The results of Power Practice and Catalyst Vision Partners LLC since acquisition are as follows:

| | £'000 |
|---|---|
| Turnover | 69 |
| Profit for the period | 6 |

*Acquisition of trade and assets*

During the year, Kelly Optometry Ltd and Norville Retail Limited, subsidiaries of the Company, purchased trade and assets for total consideration of £1,003,000.

**Recognised amounts of identifiable assets acquired and liabilities assumed**

| | Book value £'000 | Fair value adjustment £'000 | Fair value £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangibles | 508 | - | 508 |
| | 508 | - | 508 |
| **Current assets** | | | |
| Stocks | 70 | - | 70 |
| **Total assets** | 578 | - | 578 |
| **Total identifiable net assets** | | | 578 |
| Goodwill | | | 425 |
| **Total purchase consideration** | | | 1,003 |
| **Consideration** | | | |
| Cash | | | 1,003 |
| **Total purchase consideration** | | | 1,003 |

## 28. Prior year adjustments

During the prior year ending 31 December 2019 following a partial disposal of a subsidiary, a profit of £1,027,000 was recorded in the profit and loss account, and a disposal of goodwill of £1,223,000 was recognised in error. In accordance with FRS 102, a movement in equity should have been recorded and therefore this has been restated with an adjustment to NCI of £88,000 and retained earnings of £1,135,000. The impact on prior year Group net assets is an increase of £1,223,000.

During the prior year ending 31 December 2019, a loan in an acquired subsidiary, which was taken on by HO2 Management as part of the acquisition, was not recorded in either entity. The prior year has therefore been restated to record this loan with an increase of goodwill of £696,000 and a corresponding increase in bank loans of £696,000 in the Group Statement of Financial Position. There is no impact on prior year Group net assets. The impact on the prior year Company Statement of Financial Position is a £696,000 increase in investments in subsidiaries and a corresponding increase in amounts owed to group undertakings of £696,000. There is no impact on the prior year Company net assets.

During the prior year ending 31 December 2019 the cashflow statement included cash acquired on acquisition of £1,700,000 rather than the total net cash on acquisition of £4,698,000. The 2019 cashflow statement has therefore been restated for this and for the two prior year adjustments detailed above. The impact on each line of the cashflow is as follows:

- Profit for the financial year reduced by £1,027,000 from £3,024,000 to £1,997,000
- Profit on disposal of fixed assets reduced by £1,027,000 from (£1,028,000) to (£1,000)
- Tax balances acquired on acquisition reduced by £351,000 from £351,000 to £Nil
- Movement in debtors increased by £1,117,000 from (£87,000) to £1,030,000
- Movement in creditors reduced by £99,000 from £504,000 to £405,000
- Corporation tax paid reduced by £351,000 from (£1,747,000) to (£1,396,000)
- Purchase of intangible fixed assets reduced by £4,093,000 from (£5,768,000) to (£1,675,000)
- Proceeds from sale of intangible assets reduced by £2,250,000 from £2,250,000 to £Nil
- Net cash outflow on acquisition of subsidiaries increased from £Nil to (£4,698,000)
- Cash acquired with subsidiary undertaking reduced by £1,700,000 from £1,700,000 to £Nil
- Cash received from non-controlling interests on part disposal of subsidiaries and on incorporation of new subsidiaries increased by £2,250,000 from £Nil to £2,250,000
- New bank loans increased by £696,000 from £4,400,000 to £5,096,000
- Repayment of bank loans reduced by £591,000 from (£3,863,000) to (£3,272,000)

## 29. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £467,000 (2019 - £312,000). Contributions totalling £137,000 (2019 - £63,000) were payable to the fund at the reporting date and are included in creditors.

## 30. Commitments under operating leases

At 31 December 2020 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

| | Group 2020 £000 | Group 2019 £000 | Company 2020 £000 | Company 2019 £000 |
|---|---|---|---|---|
| Not later than 1 year | **2,029** | 2,153 | **15** | 15 |
| Later than 1 year and not later than 5 years | **4,483** | 4,841 | **1** | 16 |
| Later than 5 years | **2,139** | 2,466 | **-** | - |
| | **8,651** | 9,460 | **16** | 31 |

## 31. Related party transactions

The Company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

During the year, the Group entered into the following transactions with related parties:

| | Sales and recharges to 2020 £000 | Sales and recharges to 2019 £000 | Purchases and recharges from 2020 £000 | Purchases and recharges from 2019 £000 |
|---|---|---|---|---|
| Entities over which the Group has control, joint control or significant influence | **1,750** | **1,498** | **-** | - |
| Other related parties | **-** | **-** | **261** | **263** |
| Key management personnel of the Company and its group | **-** | **-** | **78** | **67** |
| | **1,750** | **1,498** | **339** | **330** |

There were no amounts outstanding as at the reporting end date.

## 32. Controlling party

On 11 June 2020, 100% of the share capital of the Company was purchased by First Wave I Limited, a company incorporated in England and Wales with registered office Unit 317 India Mill Business Centre, Darwen, Lancashire, England, BB3 1AE.

The largest group in which the results of the Company are consolidated is that headed by First Wave I Limited. The group accounts are publicly available and can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The Directors consider the ultimate controlling party to be the Hakim family.