

## **HO2 Management Limited**

Annual Report and Financial Statements

Year Ended

31 December 2022

Company Number 05476134

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## HO2 Management Limited

### Company Information

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

## HO2 Management Limited

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## HO2 Management Limited

### Group Strategic Report For the Year Ended 31 December 2022

The Directors present their Strategic Report for the year ended 31 December 2022.

#### Principal activity

The principal activity of the Group during the year under review was trading as opticians through retail outlets acquired through 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 of independent practices in the UK 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. During this financial year 79 companies (92 practices) were acquired bringing the total number of companies in the estate to 260 at the year end. This is the largest number of acquisitions the group has made in a financial year to date.

Turnover for the Group amounted to £131.9m for the year ended 31 December 2022, compared with £94.2m for the year ended 31 December 2021. The increase reflects the annualised impact of practices acquired in 2020 and the addition of practices acquired in the financial year. Contributions from business acquisitions during the year are shown in note 25.

Group profit for the year after taxation amounted to £3.9m compared with £6.0m for the previous year. Goodwill amortisation is almost all borne by the owners of the Parent Company, rather than the minority partners, explaining why the split of retained earnings of page 13 shows the non-controlling interest as being profitable while the owners of the Parent Company show a loss. In addition, most of the interest cost is borne by the owners of the Parent Company. Our preferred measure of profitability is EBITDA since the reported results are heavily impacted by goodwill amortisation arising from acquiring practices (goodwill is the premium paid over net asset value) which is a non-cash item. EBITDA was £21.9m for the year vs £20.8m for the year ended 31 December 2021.

	2022 £m	2021 £m
Total operating profit	6.8	9.9
Add: Depreciation	3.6	3.2
Add: Amortisation and impairment	11.5	7.7
<b>EBITDA</b>	<b>21.9</b>	<b>20.8</b>

EBITDA above excludes gain or loss on disposal of subsidiary undertakings. At the year end date, group net assets were £26.8m, up £2.6m since the previous year end, representing an increase of 10.7% during the reporting period.

At December 2022, cash and cash equivalents were £22.1m, and increase of £2m. On 12 June 2023 the Group put in place a 3 bank funding facility of £60m with Santander, HSBC and Nat West. This ensures the availability of funding to continue to pursue our strategy of acquiring majority control of independent opticians. The bank clearing is in the process of being moved to Santander.

In the year we disposed of 2 practices we had acquired in the US as our view was we lacked sufficient critical mass in that particular market and the level of opportunities presenting themselves in the UK market had increased significantly so to pursue our strategy of acquiring majority control of independent opticians our capital was best deployed in the UK. We got a small premium on our initial investment cost when we sold.

## **HO2 Management Limited**

### **Group Strategic Report (continued) For the Year Ended 31 December 2022**

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#### **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 2022 the net impact of covid 19 on trading was low and has this has remained the case since year end. In 2021 trading was materially impacted in 2 ways:

1. We received government support shown in other operating income
2. Since the instructions were to isolate rather than be in social settings, a higher proportion of eye examinations generated a sale since a higher proportion of patients in clinics were there because they needed either treatment or to purchase a product. The consequence is that the EBITDA margin spiked above historic rates in 2021 but returned to normal levels in 2022.

#### **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. Inflation in 2022 and since the year end climbed significantly above Bank of England targets partly as a result of the energy price spike arising from the war in Ukraine and growth in the UK economy is relatively weak in 2023. The consequence of inflation is that interest rates have elevated. The Group is less affected than certain industries as its energy usage is relatively lower and its product less discretionary and partly state subsidised with a stable and loyal customer base who are typically recalled for a sight test every two years.

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 as customers reduce their net spend in 2023.

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. Sales are mostly paid in full on dispense and suppliers trade on credit terms. Furthermore the industry has no seasonal trading peaks, so there is little volatility in cash flows. Individual practices maintain cash reserves sufficient to cover their short term funding needs so the only requirement for external capital is to fund continued acquisitions of new practices. Therefore the Group is well protected in this area.

## HO2 Management Limited

### Group Strategic Report (continued) For the Year Ended 31 December 2022

#### **Interest rate risk**

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank borrowings. After putting in place the 3 bank club we have evaluated our interest rate exposure and put in place an interest rate cap on the drawn down balance of the facility.

#### **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**

	2022 £m	2021 £m
Sales	131.9	94.2
Gross profit	99.3	69.2
Operating profit (before goodwill amortisation)	18.2	17.6
EBITDA	21.9	20.8
Net cash at bank	22.1	13.0

As noted previously, profit per practice spiked in 2021 as a consequence of lockdowns, with the conversion per examination being higher than normal.

#### **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 and we believe that our team is now very strong.

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 in 2018 as well as the CEO receiving an award for best UK leader.

## HO2 Management Limited

### Group Strategic Report (continued) For the Year Ended 31 December 2022

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#### 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, following the pandemic, the Directors are conscious 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 apprised 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.

In 2020, From a Corporate Governance perspective, the Group Board was strengthened following investment, with a new chairman and non-executive appointed, with All Seas representatives also This Board evaluates all key operational decision making.

## HO2 Management Limited

### Group Strategic Report (continued) For the Year Ended 31 December 2022

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#### Section 172 statement (continued)

During the financial year ended 31 December 2022 73 companies (92 practices) were acquired bringing the total number of companies in the estate to 260 at the year end. This is the largest number of acquisitions the group has made in a financial year to date.

On the 30 June 2022 the group disposed of 2 practices that had been acquired in the US as our view was we lacked sufficient critical mass in that particular market and the level of opportunities presenting themselves in the UK market had increased significantly.

On 12 June 2023 the Group put in place a 3 bank funding facility of £60m with Santander, HSBC and Nat West. This ensures the availability of funding to continue to pursue our strategy of acquiring majority control of independent opticians.

#### 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 practices that it partners with. We believe that there is still an extremely large and attractive opportunity to expand our UK foothold.

#### Going concern

Notwithstanding the group's net current liabilities 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.

We have run sensitivities modelling the impact of extremely high cost inflation and extremely low selling price inflation, together with substantial rises in interest rates on borrowings and our view is that our financial resources are adequate.

This report was approved by the board on 25 September 2023 and signed on its behalf.

DocuSigned by:  
  
3F6C8D8B780246B  
**I Hakim**  
Director



## **HO2 Management Limited**

### **Directors' Report For the Year Ended 31 December 2022**

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The Directors present their report and the audited financial statements for the year ended 31 December 2022.

#### **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 non-controlling interests, amounted to £3,998,000 (2021 - £195,000).

Dividends of £9,889,000 (2021 - £8,623,000) were paid to non-controlling interests in the year. The Directors do not recommend the payment of a dividend to equity holders of the Company (2021 - £Nil).

#### **Directors**

The Directors who served during the year were:

I Hakim  
Z I Hakim  
S Issa  
M Ashcroft (resigned 21 July 2022)

#### **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 Company 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 period is 40,000kWh or lower.

## HO2 Management Limited

### Directors' Report (continued) For the Year Ended 31 December 2022

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#### 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

On June 12 2023, the Group put in place a 3 bank facility club of £60m in order to continue to fund investments in growing the practice estate. The club banks were Santander, HSBC and Nat West and this is a 3-year facility.

#### Auditor

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

This report was approved by the board on 25 September 2023 and signed on its behalf.

DocuSigned by:  
  
3F6C8D8B780246B  
**I Hakim**  
Director

## **HO2 Management Limited**

### **Directors' Responsibilities Statement For the Year Ended 31 December 2022**

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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.

## **HO2 Management Limited**

### **Independent Auditor's report to the members of HO2 Management Limited**

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#### **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 Parent Company's affairs as at 31 December 2022 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 Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2022 which comprise 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 Parent 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 or Parent 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*.

## HO2 Management Limited

### Independent Auditor's report to the members of HO2 Management Limited (continued)

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#### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report of the Board 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.

#### Responsibilities of Directors

As explained more fully in the Responsibilities of Directors, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### *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:

#### *Non-compliance with laws and regulations*

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations

We considered the significant laws and regulations to be the applicable accounting framework, UK tax legislation.

## HO2 Management Limited

### Independent Auditor's report to the members of HO2 Management Limited (continued)

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#### Auditor's responsibilities for the audit of the financial statements (continued)

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred;

#### *Fraud*

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - o Detecting and responding to the risks of fraud; and
  - o Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

Based on our risk assessment, we considered the areas most susceptible to fraud to be journals and cash and cash equivalents.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Testing of cash and cash equivalents on all entities by agreeing to supporting documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.


## HO2 Management Limited

### Independent Auditor's report to the members of HO2 Management Limited (continued)

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#### Use of our report

This report is made solely to the Parent Company's directors, as a body, in accordance with our engagement letter dated 17 May 2023. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
  
49BD0A55E7C14AD

**Steven Roberts** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Manchester  
United Kingdom  
26 September 2023

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 2022

	Note	2022 £000	2021 £000
Turnover	4	131,925	94,223
Cost of sales		(32,596)	(25,031)
<b>Gross profit</b>		<b>99,329</b>	<b>69,192</b>
Administrative expenses		(81,325)	(53,185)
Amortisation and impairment of goodwill	11	(11,449)	(7,714)
<b>Total administrative expenses</b>		<b>(92,774)</b>	<b>(60,899)</b>
Other operating income	5	219	1,579
<b>Total operating profit</b>		<b>6,774</b>	<b>9,872</b>
Gain/(loss) on disposal of subsidiaries	25	683	(51)
Interest receivable and similar income		9	2
Interest payable and similar expenses	9	(792)	(283)
<b>Profit before taxation</b>		<b>6,674</b>	<b>9,540</b>
Tax on profit	10	(2,777)	(3,511)
<b>Profit for the financial year</b>		<b>3,897</b>	<b>6,029</b>
Currency translation differences		155	84
<b>Other comprehensive income for the year</b>		<b>155</b>	<b>84</b>
<b>Total comprehensive income for the year</b>		<b>4,052</b>	<b>6,113</b>
<b>Profit for the year attributable to:</b>			
Non-controlling interests		7,895	6,224
Owners of the parent Company		(3,998)	(195)
		<b>3,897</b>	<b>6,029</b>
<b>Total comprehensive income for the year attributable to:</b>			
Non-controlling interests		8,001	6,222
Owners of the parent Company		(3,949)	(109)
		<b>4,052</b>	<b>6,113</b>

The notes on pages 21 to 54 form part of these financial statements.



## HO2 Management Limited

Registered number:05476134

### Consolidated Statement of Financial Position As at 31 December 2022

	Note	2022 £000	2022 £000	2021 £000	2021 £000
<b>Fixed assets</b>					
Intangible assets	11		34,708		22,101
Tangible assets	12		8,379		5,811
			<u>43,087</u>		<u>27,912</u>
<b>Current assets</b>					
Stocks	15	8,452		5,858	
Debtors: amounts falling due within one year	16	15,014		7,190	
Cash at bank and in hand		22,087		19,100	
		<u>45,553</u>		<u>32,148</u>	
Creditors: amounts falling due within one year	17	(55,392)		(31,288)	
<b>Net current (liabilities)/assets</b>			<u>(9,839)</u>		<u>860</u>
<b>Total assets less current liabilities</b>			<u>33,248</u>		<u>28,772</u>
Creditors: amounts falling due after more than one year	18		(5,426)		(4,074)
<b>Provisions for liabilities</b>					
Deferred taxation	21		(1,001)		(504)
<b>Net assets</b>			<u>26,821</u>		<u>24,194</u>
<b>Capital and reserves</b>					
Called up share capital	22		-		-
Share premium account	23		12,804		12,804
Profit and loss account	23		(1,457)		2,492
<b>Equity attributable to owners of the parent Company</b>			<u>11,347</u>		<u>15,296</u>
Non-controlling interests			15,474		8,898
<b>Total equity</b>			<u>26,821</u>		<u>24,194</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 September 2023

DocuSigned by:  
Imran Hakim  
3F6C8D8B780246B..  
I Hakim  
Director

The notes on pages 21 to 54 form part of these financial statements.

**HO2 Management Limited**

Registered number:05476134

**Company Statement of Financial Position  
As at 31 December 2022**

	Note	2022 £000	2022 £000	2021 £000	2021 £000
<b>Fixed assets</b>					
Intangible assets	11		186		102
Tangible assets	12		192		145
Investments	13		60,110		36,149
			<u>60,488</u>		<u>36,396</u>
<b>Current assets</b>					
Debtors: amounts falling due within one year	16	12,017		5,565	
Cash at bank and in hand		5,432		3,359	
		<u>17,449</u>		<u>8,924</u>	
Creditors: amounts falling due within one year	17	(43,865)		(18,024)	
<b>Net current liabilities</b>			<u>(26,416)</u>		<u>(9,100)</u>
<b>Total assets less current liabilities</b>			<u>34,072</u>		<u>27,296</u>
Creditors: amounts falling due after more than one year	18		(461)		(149)
<b>Provisions for liabilities</b>					
Deferred taxation	21		(30)		(20)
<b>Net assets</b>			<u>33,581</u>		<u>27,127</u>
<b>Capital and reserves</b>					
Called up share capital	22		-		-
Share premium account	23		12,804		12,804
Profit and loss account brought forward		14,323		6,929	
Profit for the year		6,454		7,394	
		<u></u>	<u>20,777</u>	<u></u>	<u>14,323</u>
Profit and loss account carried forward					
<b>Total equity</b>			<u>33,581</u>		<u>27,127</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf  
25 September 2023

DocuSigned by:  
Imran Hakim  
3E6C8D8B780246B  
Imran Hakim  
Director

The notes on pages 21 to 54 form part of these financial statements.

## HO2 Management Limited

### Consolidated Statement of Changes in Equity For the Year Ended 31 December 2022

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Equity attributable to owners of parent Company £000	Non- controlling interests £000	Total equity £000
At 1 January 2022	-	12,804	2,492	15,296	8,898	24,194
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	(3,998)	(3,998)	7,895	3,897
Currency translation differences	-	-	49	49	106	155
<b>Total comprehensive income for the year</b>	-	-	(3,949)	(3,949)	8,001	4,052
<b>Contributions by and distributions to owners</b>						
Dividends: Equity capital	-	-	-	-	(9,889)	(9,889)
On acquisition of subsidiaries	-	-	-	-	8,464	8,464
<b>Total transactions with owners</b>	-	-	-	-	(1,425)	(1,425)
<b>At 31 December 2022</b>	-	12,804	(1,457)	11,347	15,474	26,821

The notes on pages 21 to 54 form part of these financial statements.

## HO2 Management Limited

### Consolidated Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Equity attributable to owners of parent Company £000	Non- controlling interests £000	Total equity £000
At 1 January 2021	-	12,804	2,601	15,405	5,597	21,002
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	(195)	(195)	6,224	6,029
Currency translation differences	-	-	86	86	(2)	84
<b>Total comprehensive income for the year</b>	-	-	(109)	(109)	6,222	6,113
<b>Contributions by and distributions to owners</b>						
Dividends: Equity capital	-	-	-	-	(8,623)	(8,623)
On acquisition of subsidiaries	-	-	-	-	5,702	5,702
<b>Total transactions with owners</b>	-	-	-	-	(2,921)	(2,921)
<b>At 31 December 2021</b>	-	12,804	2,492	15,296	8,898	24,194

The notes on pages 21 to 54 form part of these financial statements.

## HO2 Management Limited

### Company Statement of Changes in Equity For the Year Ended 31 December 2022

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2022	-	12,804	14,323	27,127
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	6,454	6,454
<b>Total comprehensive income for the year</b>	-	-	6,454	6,454
<b>At 31 December 2022</b>	-	12,804	20,777	33,581

### Company Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2021	-	12,804	6,929	19,733
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	7,394	7,394
<b>Total comprehensive income for the year</b>	-	-	7,394	7,394
<b>At 31 December 2021</b>	-	12,804	14,323	27,127

The notes on pages 21 to 54 form part of these financial statements.

## HO2 Management Limited

### Consolidated Statement of Cash Flows For the Year Ended 31 December 2022

	2022 £000	2021 £000
<b>Cash flows from operating activities</b>		
Profit for the financial year	3,897	6,029
<b>Adjustments for:</b>		
Amortisation of intangible assets	10,313	6,905
Depreciation of tangible assets	3,647	3,216
Impairments of goodwill	1,193	810
Loss on disposal of subsidiary	683	51
Interest payable	792	283
Interest receivable	(9)	(2)
Taxation charge	2,777	3,511
Increase in stocks	(179)	(643)
(Increase)/decrease in debtors	(3,003)	1,394
Decrease in creditors	(10,022)	(6,411)
Corporation tax paid	(2,793)	(1,926)
Interest paid	(736)	(283)
<b>Net cash generated from operating activities</b>	<b>6,560</b>	<b>12,934</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(4,546)	(4,498)
Sale of intangible fixed assets	-	267
Purchase of tangible fixed assets	(1,155)	(2,073)
Net cash outflow on acquisition of subsidiaries	(15,305)	(7,428)
Cash received from non-controlling interests on part disposal of subsidiaries and on incorporation of new subsidiaries	5,099	3,618
Net cash inflow on disposal of subsidiaries	781	-
Interest received	9	2
<b>Net cash used in investing activities</b>	<b>(15,117)</b>	<b>(10,112)</b>

## HO2 Management Limited

### Consolidated Statement of Cash Flows (continued) For the Year Ended 31 December 2022

	2022 £000	2021 £000
<b>Cash flows from financing activities</b>		
New bank loans	23,000	1,060
Repayment of bank loans	(1,329)	(1,095)
Repayment of other loans	-	(485)
Repayment of finance leases	(324)	48
Non-controlling interest dividends paid	(9,889)	(8,623)
<b>Net cash from/(used in) financing activities</b>	<b>11,458</b>	<b>(9,095)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,901</b>	<b>(6,273)</b>
Cash and cash equivalents at beginning of year	19,100	25,043
Foreign exchange gains and losses	65	330
<b>Cash and cash equivalents at the end of year</b>	<b>22,066</b>	<b>19,100</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	22,087	19,100
Bank overdrafts	(21)	-
	<b>22,066</b>	<b>19,100</b>

The notes on pages 21 to 54 form part of these financial statements.

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

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#### 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.

In preparing the separate financial statements of the Parent Company, advantage has been taken of the following disclosure exemptions available to qualifying entities:

- No cash flow statement or net debt reconciliation has been presented for the Parent Company; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the Parent Company as their remuneration is included in the totals for the group as a whole

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.



## **HO2 Management Limited**

### **Notes to the Financial Statements For the Year Ended 31 December 2022**

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#### **2. Accounting policies (continued)**

##### **2.3 Going concern**

Notwithstanding the group's net current liabilities 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.

We have run sensitivities modelling the impact of extremely high cost inflation and extremely low selling price inflation, together with substantial rises in interest rates on borrowings and our view is that our financial 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.

## **HO2 Management Limited**

### **Notes to the Financial Statements For the Year Ended 31 December 2022**

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#### **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.

##### **2.9 Interest income**

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

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

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#### 2. Accounting policies (continued)

##### 2.10 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.

##### 2.11 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.

## **HO2 Management Limited**

### **Notes to the Financial Statements For the Year Ended 31 December 2022**

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#### **2. Accounting policies (continued)**

##### **2.12 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.

The useful economic life of goodwill is 5 years.

###### **Other intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The amortisation rate for computer software is 3 years.

##### **2.13 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.

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

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#### 2. Accounting policies (continued)

##### 2.13 Tangible fixed assets (continued)

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.

##### 2.14 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

##### 2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

##### 2.16 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.

##### 2.17 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.

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

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#### 2. Accounting policies (continued)

##### 2.18 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.

##### 2.19 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.

##### 2.20 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.

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 2. Accounting policies (continued)

##### 2.21 Dividends

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

#### 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:

- 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 if there is an indicator of impairment, bearing in mind the same factors noted above.

#### 4. Turnover

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

	2022 £000	2021 £000
Retail optical sales	131,925	94,223

Analysis of turnover by country of destination:

	2022 £000	2021 £000
United Kingdom	122,283	88,637
Republic of Ireland	7,393	4,196
USA	2,249	1,390
	131,925	94,223

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 5. Other operating income

	2022 £000	2021 £000
Government grants receivable and furlough income	-	1,579
Rental income	219	-
	<u>219</u>	<u>1,579</u>

#### 6. Operating profit

The operating profit is stated after charging:

	2022 £000	2021 £000
Depreciation of tangible assets	3,647	3,216
Amortisation of intangible assets	10,313	6,905
Impairment of intangible assets	1,193	810
Loss on disposal of tangible assets	-	51
Operating lease charges	5,259	4,151
	<u>5,259</u>	<u>4,151</u>

#### 7. Auditor's remuneration

	2022 £000	2021 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	140	112
<b>Fees payable to the Group's auditor and its associates in respect of:</b>		
Accounts preparation	8	6



## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 8. Employees

Staff costs were as follows:

	<b>Group 2022 £000</b>	<b>Group 2021 £000</b>	<b>Company 2022 £000</b>	<b>Company 2021 £000</b>
Wages and salaries	42,295	28,796	42,295	2,879
Social security costs	3,688	2,189	3,688	278
Cost of defined contribution scheme	1,354	721	1,354	56
	<b>47,337</b>	<b>31,706</b>	<b>47,337</b>	<b>3,213</b>

The total key management personnel remuneration was £8,701,000 (2021 - £3,238,000).

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

	<b>Group 2022 No.</b>	<b>Group 2021 No.</b>	<b>Company 2022 No.</b>	<b>Company 2021 No.</b>
Management (including Directors)	387	213	3	-
Operational	122	107	119	-
Retail outlets	1,811	1,182	-	-
	<b>2,320</b>	<b>1,502</b>	<b>122</b>	<b>0</b>

The Directors received no remuneration in the current or prior year.

#### 9. Interest payable and similar expenses

	<b>2022 £000</b>	<b>2021 £000</b>
Bank interest payable	733	249
Finance leases and hire purchase contracts	59	34
	<b>792</b>	<b>283</b>

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 10. Taxation

	2022 £000	2021 £000
<b>Corporation tax</b>		
Current tax on profits for the year	2,885	3,883
Adjustments in respect of previous periods	(192)	(306)
<b>Total current tax</b>	<b>2,693</b>	<b>3,577</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	84	(66)
<b>Total deferred tax</b>	<b>84</b>	<b>(66)</b>
<b>Taxation on profit</b>	<b>2,777</b>	<b>3,511</b>

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £000	2021 £000
Profit before tax	6,674	9,540
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	1,268	1,813
<b>Effects of:</b>		
Expenses not deductible for tax purposes	2,127	2,274
Group relief	(618)	(576)
<b>Total tax charge for the year</b>	<b>2,777</b>	<b>3,511</b>

#### 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 applicable when the timing differences are expected to reverse.

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 £1,322,000 (2021 - £576,000).

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 11. Intangible assets

##### Group

	Software £000	Goodwill £000	Total £000
<b>Cost</b>			
At 1 January 2022	152	44,669	44,821
Additions	168	4,379	4,547
Disposals	-	(1,833)	(1,833)
On acquisition of subsidiaries	-	20,650	20,650
Foreign exchange movement	-	(27)	(27)
At 31 December 2022	320	67,838	68,158
<b>Amortisation</b>			
At 1 January 2022	77	22,643	22,720
Charge for the year	57	10,256	10,313
On disposals	-	(776)	(776)
Impairment charge	-	1,193	1,193
At 31 December 2022	134	33,316	33,450
<b>Net book value</b>			
At 31 December 2022	186	34,522	34,708
At 31 December 2021	75	22,026	22,101

Goodwill additions in the year are where the Group has increased their ownership percentage in a subsidiary, or as a result of asset purchases and subsequent company incorporations.

Goodwill disposals in the year are as a result of transferring the trade and assets of a subsidiary into other trading entities.

Goodwill acquired on the acquisition of subsidiaries is detailed in note 25.

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 11. Intangible assets (continued)

##### Company

	Software £000
<b>Cost</b>	
At 1 January 2022	113
Additions	141
At 31 December 2022	<u>254</u>
<b>Amortisation</b>	
At 1 January 2022	11
Charge for the year	57
At 31 December 2022	<u>68</u>
<b>Net book value</b>	
At 31 December 2022	<u><u>186</u></u>
At 31 December 2021	<u><u>102</u></u>

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 12. Tangible fixed assets

##### Group

	Freehold land and property £000	Long-term leasehold land and property £000	Plant, machinery and vehicles £000	Total £000
<b>Cost</b>				
At 1 January 2022	920	1,105	15,290	17,315
Additions	-	272	2,200	2,472
On acquisition of subsidiaries	658	284	2,801	3,743
Disposals	(191)	(66)	(62)	(319)
At 31 December 2022	<u>1,387</u>	<u>1,595</u>	<u>20,229</u>	<u>23,211</u>
<b>Depreciation</b>				
At 1 January 2022	191	574	10,739	11,504
Charge for the year	25	342	3,280	3,647
Disposals	(191)	(66)	(62)	(319)
At 31 December 2022	<u>25</u>	<u>850</u>	<u>13,957</u>	<u>14,832</u>
<b>Net book value</b>				
At 31 December 2022	<u>1,362</u>	<u>745</u>	<u>6,272</u>	<u>8,379</u>
At 31 December 2021	<u>729</u>	<u>531</u>	<u>4,551</u>	<u>5,811</u>

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

	2022 £000	2021 £000
Plant, machinery and vehicles	<u>982</u>	<u>449</u>

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 12. Tangible fixed assets (continued)

##### Company

	Long-term leasehold property £000	Plant and machinery £000	Total £000
<b>Cost</b>			
At 1 January 2022	11	436	447
Additions	-	122	122
At 31 December 2022	11	558	569
<b>Depreciation</b>			
At 1 January 2022	3	299	302
Charge for the year	-	75	75
At 31 December 2022	3	374	377
<b>Net book value</b>			
At 31 December 2022	8	184	192
At 31 December 2021	8	137	145

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 13. Fixed asset investments

##### Company

	Investments in subsidiary companies £000
<b>Cost</b>	
At 1 January 2022	38,467
Additions	29,624
Disposals	(4,212)
At 31 December 2022	63,879
<b>Impairment</b>	
At 1 January 2022	2,318
Charge for the year	1,451
At 31 December 2022	3,769
<b>Net book value</b>	
At 31 December 2022	60,110
At 31 December 2021	36,149

##### 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	Ordinary	50%
Shearwater Optics Ltd	Ordinary	50%
Irlam Optical Ltd	Ordinary	50%
New Brighton Optical Ltd	Ordinary	50%
Waterloo Eye Centre LLP	Ordinary	50%
Carnforth Optical Ltd	Ordinary	25%
BB Optical Ltd	Ordinary	50%
Clamp Optometrists Limited	Ordinary	50%
Tyrrells & Embery Ltd	Ordinary	50%

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 13. 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	75%
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	80%
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	55%
Enfield Optical Limited*	Ordinary	50%
Premier Optics Limited	Ordinary	100%
James Kidner Opticians Limited	Ordinary	50%
David Henderson Optical Ltd	Ordinary	55%
H W Williams (Optometrists) Limited	Ordinary	50%
Daybell & Choo Limited	Ordinary	68.5%
Ellerker Eyewear Limited	Ordinary	60%
Millicans Optical Ltd	Ordinary	50%
Sarah Dineen Limited	Ordinary	50%
Holland Opticians Limited	Ordinary	50%
SeeDerby Ltd	Ordinary	50%
Tropia Limited	Ordinary	50%
Columbo Limited	Ordinary	75%
Dr Stella Griffiths Limited	Ordinary	50%
David Wood Optical Ltd	Ordinary	50%
Harris Opticians Limited	Ordinary	52.5%
Harris Opticians (Heswall) Limited	Ordinary	50%
James Bryan Opticians Limited	Ordinary	50%
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%
Y&S Optical Group Limited	Ordinary	75%
Yates & Suddell (Walkden) Limited	Ordinary	100%



## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 13. 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%
Castlereagh 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. Wooding Opticians Ltd	Ordinary	50%
Simon Browning Optical Ltd	Ordinary	75%
Wigram & Ware, Limited	Ordinary	50%
Botley Optical Limited	Ordinary	50%
Skye Optometrists Limited	Ordinary	55%
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	50%
Galway Independent Opticians Limited	Ordinary	50%
Staples Optical Limited	Ordinary	50%
Brosigill Eyewear Limited	Ordinary	50%
Optima (Exeter) Ltd.	Ordinary	50%
Leyland Optical Limited	Ordinary	50%
Stephens Opticians Limited	Ordinary	100%
Pullen and Symes Limited	Ordinary	60%
Gill Opticians Ltd	Ordinary	57.5%
Keith Murphy Opticians Limited	Ordinary	50%
Enderbys of Boston Limited	Ordinary	81%
Kelly Hakim Opticians Limited	Ordinary	50%
Welbourne Opticians Ltd	Ordinary	50%
Cooper & Leatherbarrow Limited	Ordinary	50%
WSM Optical Limited	Ordinary	50%
Heals Opticians Limited	Ordinary	90%
Face Furniture Limited	Ordinary	100%
Dawkins & Lodge Limited	Ordinary	75%
Nicola Fenner Limited	Ordinary	50%
Davis Optometrists Ltd	Ordinary	50%
Davis (MH) Limited	Ordinary	50%
Aidan Walsh Opticians Limited	Ordinary	75%
Innovative Eyecare Limited*	Ordinary	50%
Norville Retail Limited	Ordinary	100%
Bruce Avery Limited	Ordinary	50%
Willetts & Doig Ltd	Ordinary	50%

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 13. Fixed asset investments (continued)

Name	Class of shares	Holding
D R and J Searle Limited	Ordinary	100%
T.J Crompton Limited	Ordinary	50%
Glos Mec Limited	Ordinary	67.5%
Look Opticians Limited	Ordinary	50%
E & G Optical Services Limited	Ordinary	100%
BBR Optometry Ltd	Ordinary	50%
Catalyst Vision Holdings, LLC	Ordinary	70%
Jasper Eye Care Inc	Ordinary	100%
Power Practice Corp.*	Ordinary	100%
Akay & Turnbull Visioncare Limited	Ordinary	50%
Hassocks Eyecare Centre Limited	Ordinary	50%
Pagan & McQuade (Hartlepool) Limited	Ordinary	80%
McQuade Eyecare Limited	Ordinary	75%
Martin Steels Limited	Ordinary	90%
AP Optical Limited	Ordinary	80%
Bird and Fairley (Dunmow) Limited	Ordinary	75%
Bird and Fairley (Loughton) Limited *	Ordinary	50%
Long After Limited	Ordinary	50%
Norville & Dobinson Limited	Ordinary	75%
Guilford & Carter Limited	Ordinary	50%
Norville Keynsham Limited	Ordinary	80%
Norville Stonehouse Limited	Ordinary	50%
Milecharm Ltd	Ordinary	50%
Broadhurst Optometrists Limited *	Ordinary	50%
David Inman Opticians (Broomhill) Limited	Ordinary	50%
David Inman (Opticians) Limited *	Ordinary	50%
Norville Bath Road Limited	Ordinary	100%
Liage Ltd	Ordinary	100%
J&C Briddon Limited	Ordinary	50%
J&PAE Limited	Ordinary	50%
Martin Steels (Emsworth) Limited	Ordinary	80%
Aves Optometrists Limited	Ordinary	50%
Mullins & Henry Limited	Ordinary	75%
Longford Independent Opticians Limited	Ordinary	50%
Taylor Biddle Holdings Limited	Ordinary	60%
Taylor Biddle Opticians Ltd *	Ordinary	60%
Alexander Gage Opticians Limited	Ordinary	50%
Andrew Laird Optical Ltd	Ordinary	100%
Barnard & Levit Limited	Ordinary	50%
Cooper & Barr Ltd.	Ordinary	100%
David Burghardt Vision Care Limited	Ordinary	50%
Fines Opticians Limited	Ordinary	80%
Finniston Limited	Ordinary	100%
H.J.Wheeldon Limited	Ordinary	50%
Inspeyer Ltd	Ordinary	50%
J Oliver Radley Opticians Limited	Ordinary	75%
John Weygang (Churchdown) Ltd	Ordinary	67%
John Weygang (Hucclecote) Ltd	Ordinary	67%
John Weygang (Quedgeley) Ltd	Ordinary	67%
Julian Berson Opticians Limited	Ordinary	75%
Lambrou Limited	Ordinary	75%

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 13. Fixed asset investments (continued)

Name	Class of shares	Holding
Norman Prince Ascot Limited	Ordinary	100%
Norman Prince Ashford and Teddington Limited	Ordinary	100%
Norman Prince Crowthorne Limited	Ordinary	75%
Optima (Faversham) Limited	Ordinary	50%
Osborne Harle Ltd	Ordinary	100%
Outlook Eyecare Ltd	Ordinary	70%
Pilbeam Opticians Limited	Ordinary	50%
Prebble Opticians Limited	Ordinary	100%
C S Segal Limited	Ordinary	100%
TK&S Optometrists Limited	Ordinary	50%
Monnow Eyecare Limited	Ordinary	50%
Stafford Optical Ltd	Ordinary	50%
Barracough and Stiles Limited	Ordinary	50%
Goodwin & Edge Gnosall Limited	Ordinary	50%
Goodwin & Edge Limited	Ordinary	50%
Malcolm Gray & Associates Limited	Ordinary	50%
Innovative Eyecare (Holding Co) Limited	Ordinary	50%
Daybell & Choo (Eyecare) LLP	Ordinary	68.75%
The McDrum Company Limited **	Ordinary	100%
Quality Eyewear Solutions Limited **	Ordinary	50%
Smith & Butterfield Limited **	Ordinary	66%
Eyesupplies Scotland Ltd **	Ordinary	50%
Susan Collier Limited **	Ordinary	100%
RA Orkney Limited **	Ordinary	50%
Aaron Optometrists Limited **	Ordinary	50%
Cameron Optometry Limited **	Ordinary	50%
Cameron Beaumont Ltd **	Ordinary	50%
Integrated Optical Limited **	Ordinary	50%
Stephen Cuddy Optometrists Ltd **	Ordinary	100%
L Thompson Optometrists Limited **	Ordinary	50%
Campbell & Mcdearmid Optometrists Ltd **	Ordinary	50%
Urquharts & Co Holding Ltd **	Ordinary	50%
Flint & Partners Eyecare Limited **	Ordinary	50%
Sarah Lowry Ltd **	Ordinary	100%
Steve Mayer Optical Ltd **	Ordinary	50%
A T & J B Roberts Limited **	Ordinary	100%
Cooke Opticians Limited **	Ordinary	100%
Timlins Limited **	Ordinary	100%
Paul Rutter Opticians Ltd **	Ordinary	50%
RKL Holdings Limited **	Ordinary	100%
Yuill's of Lanark Limited **	Ordinary	100%
DB Hughes Optical Ltd **	Ordinary	100%
Norman Salmoni Ltd **	Ordinary	50%
David Mcwilliams Ltd **	Ordinary	100%
Lunettes Opticians Limited **	Ordinary	50%
Eyeteck Opticians Ltd **	Ordinary	100%
Askew N16 Limited **	Ordinary	100%
IO Mullens (Runcorn) Limited *, **	Ordinary	50%
IO Mullens (Stockton) Limited *, **	Ordinary	50%
IO Spurrets Limited *, **	Ordinary	50%
IO Jacksons Limited *, **	Ordinary	50%
IO Doncaster Limited *, **	Ordinary	50%
J. Hanks Limited *, **	Ordinary	50%

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 13. Fixed asset investments (continued)

Name	Class of shares	Holding
Wivenhoe Eyes Open Ltd *, **	Ordinary	50%
Thomas Bond & Partners Limited **	Ordinary	100%
Pery Laerd Limited **	Ordinary	50%
P & A Morgan Optical Limited **	Ordinary	100%
Appelman Charman Optical Limited **	Ordinary	100%
J.F. Bryan Holdings Limited **	Ordinary	50%
J.F. Bryan Limited *, **	Ordinary	50%
Classic Eyes Limited **	Ordinary	85.5%
Jack Brown Limited **	Ordinary	100%
Andrew Keirl Opticians Ltd **	Ordinary	50%
Mackie Eyecare Limited **	Ordinary	50%
Mackie Specstore Limited **	Ordinary	50%
Birrell and Rainford Opticians Limited **	Ordinary	80%
Amar Shah Optometrist Ltd **	Ordinary	100%
Individual Eyes Limited **	Ordinary	50%
S.W. Barradell Limited *, **	Ordinary	50%
Trotman Opticians Limited **	Ordinary	50%
McPherson Optometry Limited **	Ordinary	50%
Stephen Wilcox Optometrists Limited	Ordinary	100%
R A Glass Limited **	Ordinary	100%
R.S. Erskine & Company Limited **	Ordinary	100%
Queree Optometrists Limited **	Ordinary	50%
Martin Storey Limited **	Ordinary	100%
Martin Storey (Bungay) Limited **	Ordinary	100%
Clare Darbyshire Optical Limited **	Ordinary	100%
Johnson & Furze Optometrists Ltd **	Ordinary	100%
Purcell Opticians Limited **	Ordinary	100%
Andrew Croxford Ltd **	Ordinary	100%
Urquhart & Co. Holdings Limited **	Ordinary	50%
Urquharts (Kilwinning) Ltd *, **	Ordinary	50%
Urquharts (Ayr) Ltd *, **	Ordinary	50%
Urquharts (D&G) Ltd *, **	Ordinary	50%
Cruickshank Optical Limited *, **	Ordinary	50%
Pamela Knox Optician Limited *, **	Ordinary	50%
Oakway Associates Ltd *, **	Ordinary	50%
Emma Drewery Optometrist Ltd *, **	Ordinary	50%
Urquhart Opticians Limited *, **	Ordinary	50%
Richard Kerr Limited *, **	Ordinary	100%
My Optician Limited **	Ordinary	85%
Mansfield Optical Limited **	Ordinary	100%
Roger Lee Optometrists Limited **	Ordinary	50%
Eyeline Optics Ltd *	Ordinary	50%
Margaret Barrett Opticians Limited **	Ordinary	50%

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.

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 13. Fixed asset investments (continued)

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
Galway Independent Opticians Limited	Corner House, Woodquay, Galway, H91 FW10, Republic of Ireland
Kelly Hakim Opticians Limited	Sandymount House, Newport co, Mayo Newport Mayo, Republic of Ireland
Aidan Walsh Opticians Limited	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
Mullins & Henry Limited	Sandymount House, Newport, Co. Mayo, Ireland
Longford Independent Opticians Limited	Sandymount House, Newport, Co. Mayo, Ireland
Fines Opticians Limited	57 Catherine Street, Co. Limerick, Limerick, V94K5YX
The McDerm Company Limited	5 South Charlotte Street, Edinburgh, Scotland, EH2 4AN
Eyesupplies Scotland Ltd	5 South Charlotte Street, Edinburgh, Scotland, EH2 4AN
Cameron Optometry Limited	5 South Charlotte Street, Edinburgh, Scotland, EH2 4AN
Urquharts & Co. Holdings Ltd	5 South Charlotte Street, Edinburgh, Scotland, EH2 4AN
Cooke Opticians Limited	Stephens Street, Abbeywater North, Sligo, Ireland
Margaret Barrett Opticians Limited	107c Cabra Road, Cabra East, Dublin 7, Dublin, Ireland
Yuill's of Lanark Limited	5 South Charlotte Street, Edinburgh, Scotland, EH2 4AN
Jack Brown Limited	5 South Charlotte Street, Edinburgh, Scotland, EH2 4AN
Mackie Eyecare Limited	5 South Charlotte Street, Edinburgh, Scotland, EH2 4AN
Mackie Specstore Limited	5 South Charlotte Street, Edinburgh, Scotland, EH2 4AN
Birrell and Rainford Opticians Limited	5 South Charlotte Street, Edinburgh, Scotland, EH2 4AN
McPherson Optometry Limited	5 South Charlotte Street, Edinburgh, Scotland, EH2 4AN
R A Glass Limited	77 Botanic Avenue, Belfast, Northern Ireland, BT7 1JL
R.S. Erskine & Company Limited	5 South Charlotte Street, Edinburgh, Scotland, EH2 4AN
Queree Optometrists Limited	9 Bond street, St Helier, Jersey, JE2 3NP
Urquharts (Kilwinning) Ltd	5 South Charlotte Street, Edinburgh, Scotland, EH2 4AN
Urquharts (Ayr) Ltd	5 South Charlotte Street, Edinburgh, Scotland, EH2 4AN
Urquharts (D&G) Ltd	5 South Charlotte Street, Edinburgh, Scotland, EH2 4AN
Cruickshank Optical Limited	5 South Charlotte Street, Edinburgh, Scotland, EH2 4AN
Pamela Knox Optician Limited	5 South Charlotte Street, Edinburgh, Scotland, EH2 4AN
Emma Drewery Optometrist Ltd	5 South Charlotte Street, Edinburgh, Scotland, EH2 4AN

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.

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

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#### 13. Fixed asset investments (continued)

On 2 January 2022 the Company acquired 100% of the share capital of The Mcdrum Company Limited.

On 31 January 2022 the Company acquired 50% of the share capital of Quality Eyewear Solutions Limited.

On 9 February 2022 the Company acquired 63% of the share capital of P & A Morgan Optical Limited and 71% of the share capital of Classic Eyes Limited.

On 28 February 2022 the Company acquired 50% of the share capital of Eyesupplies Scotland Ltd.

On 8 March 2022 the Company acquired 85% of the share capital of Susan Collier Limited and 60% of the share capital of Thomas Bond & Partners Limited.

On 12 March 2022 the Company acquired 50% of the share capital of RA Orkney Limited.

On 31 March 2022 the Company acquired 50% of the share capital of Cameron Beaumont Ltd.

On 11 April 2022 the Company acquired 100% of the share capital of Integrated Optical Limited, 50% of the share capital of Aaron Optometrists Limited, 70% of the share capital of IO Jacksons Limited, 80% of the share capital of IO Mullens (Stockton) Limited, 85% of the share capital of IO Mullens (Runcorn) Limited, 50% of the share capital of IO Doncaster Limited and 100% of the share capital of Oakway Associates Ltd.

On 30 April 2022 the Company acquired 100% of the share capital of A T & J B Roberts Limited, 50% of the share capital of Flint & Partners Eyecare Limited, 50% of the share capital of L Thompson Optometrists Limited, 50% of the share capital of Stephen Cuddy Optometrists Ltd, 50% of the share capital of Urquhart Opticians Limited, 50% of the share capital of Sarah Lowry Ltd, 50% of the share capital of Urquharts (Kilwinning) Ltd, 50% of the share capital of Urquharts (Ayr) Ltd, 50% of the share capital of Urquharts (D&G) Ltd and 50% of the share capital of Urquharts & Co. Holdings Ltd.

On 16 May 2022 the Company acquired 50% of the share capital of Campbell & Mcdearmid Optometrists Ltd.

On 19 May 2022 the Company acquired 50% of the share capital of Steve Mayer Optical Limited.

On 23 May 2022 the Company acquired 50% of the share capital of Paul Rutter Opticians Ltd.

On 31 May 2022 the Company acquired 100% of the share capital of Richard Kerr Limited, 50% of the share capital of Yuill's of Lanark Limited, 100% of the share capital of Timlins Limited and 100% of the share capital of RKL Holdings Limited.

On 30 June 2022 the Company acquired 50% of the share capital of Lunettes Opticians Limited, 100% of the share capital of Eyetech Opticians Ltd, 50% of the share capital of Norman Salmoni Limited, 50% of the share capital of Pamela Knox Optician Limited, 50% of the share capital of Cruickshank Optical Limited and 50% of the share capital of Emma Drewery Optometrist Ltd.

On 11 July 2022 the Company acquired 50% of the share capital of Mcpherson Optometry Limited.

On 13 July 2022 the Company acquired 50% of the share capital of Askew N16 Limited.

On 27 July 2022 the Company acquired 50% of the share capital of J. Hanks Limited and 50% of the share capital of Wivenhoe Eyes Open Ltd.

On 1 August 2022 the Company acquired 85% of the share capital of My Optician Limited.

On 4 August 2022 the Company acquired 50% of the share capital of Jack Brown Limited.

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 14. Fixed asset investments (continued)

On 6 August 2022 the Company acquired 100% of the share capital of J.F. Bryan Limited, 90% of the share capital of Appelman Charman Optical Limited and 100% of the share capital of J F Bryan Holdings Limited.

On 30 September 2022 the Company acquired 100% of the share capital of Mansfield Optical Limited, 65% of the share capital of Birrell and Rainford Opticians Limited, 50% of the share capital of Andrew Keir Opticians Ltd, 100% of the share capital of Amar Shah Optometrist Ltd., 50% of the share capital of Mackie Eyecare Limited and 50% of the share capital of Mackie Specstore Limited.

On 3 October 2022 the Company acquired 66% of the share capital of Smith & Butterfield Limited.

On 6 October 2022 the Company acquired 100% of the share capital of DB Hughes Optical Limited.

On 31 October 2022 the Company acquired 50% of the share capital of Trotman Opticians Limited, 50% of the share capital of S.W. Barradell Limited, 50% of the share capital Stephen Wilcox Optometrists Limited and 50% of the share capital of Individual Eyes Limited.

On 4 November 2022 the Company acquired 65% of the share capital of IO Spurrett Limited.

On 7 November 2022 the Company acquired 100% of the share capital of David McWilliams Limited.

On 8 November 2022 the Company acquired 50% of the share capital of Pery Laerd Limited.

On 24 November 2022 the Company acquired 75% of the share capital of R.S.Erskine & Company Limited.

On 30 November 2022 the Company acquired 75% of the share capital of R A Glass Limited, 100% of the share capital of Martin Storey Limited, 100% of the share capital Martin Storey (Bungay) Limited and 50% of the share capital of Queree Optometrists Limited.

On 14 December 2022 the Company acquired 100% of the share capital of Clare Darbyshire Optical Limited.

On 16 December 2022 the Company acquired 50% of the share capital of Johnson & Furze Optometrists Ltd.

On 31 December 2022 the Company acquired 100% of the share capital Purcell Opticians Limited and 50% of the share capital of Roger Lee Optometrists Limited.

#### 15. Stocks

	Group 2022 £000	Group 2021 £000
Goods for resale	8,452	5,858

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

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 16. Debtors

	<b>Group 2022 £000</b>	<b>Group 2021 £000</b>	<b>Company 2022 £000</b>	<b>Company 2021 £000</b>
Trade debtors	4,062	4,732	2,556	1,715
Amounts owed by group undertakings	-	-	3,588	3,073
Other debtors	7,864	1,603	4,679	545
Prepayments and accrued income	2,148	809	1,194	232
Corporation tax receivable	940	46	-	-
	<b>15,014</b>	<b>7,190</b>	<b>12,017</b>	<b>5,565</b>

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

An impairment charge of £Nil (2021 - £Nil) was recognised in the Consolidated Statement of Comprehensive Income in the year in respect of bad or doubtful debts.



## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

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

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Bank overdrafts	21	-	-	-
Bank loans	1,638	1,946	-	778
Trade creditors	4,068	4,773	882	657
Amounts owed to group undertakings	35,805	12,811	37,989	12,992
Corporation tax	4,010	3,574	1	-
Other taxation and social security	1,888	1,342	466	285
Obligations under finance lease and hire purchase contracts	654	365	-	-
Directors loan accounts	1,250	686	-	-
Other creditors	1,411	5,051	414	3,098
Accruals and deferred income	1,013	740	479	214
Deferred Consideration	3,634	-	3,634	-
	<b>55,392</b>	<b>31,288</b>	<b>43,865</b>	<b>18,024</b>

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

Included within creditors due within one year is a Directors loan of £1,250,000 (2021 - £686,000). No interest was charged during the year (2021 - £Nil).

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

On the 29 March 2022 the Group entered into a banking facility which is repayable on 29th March 2025 and the interest rate was 2.25% above Sonia. On the 12 June 2023 the group entered into a new banking facility which is repayable on 12th June 2026. The interest rate is unchanged.

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

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Bank loans	3,401	3,319	-	-
Other loans	197	33	-	-
Obligations under finance leases and hire purchase contracts	1,122	417	-	-
Other creditors	245	305	-	149
Deferred Consideration	461	-	461	-
	<b>5,426</b>	<b>4,074</b>	<b>461</b>	<b>149</b>

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

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 19. Loans

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
<b>Amounts falling due within one year</b>				
Bank loans	1,638	1,946	-	778
	<u>1,638</u>	<u>1,946</u>	<u>-</u>	<u>778</u>
<b>Amounts falling due 1-2 years</b>				
Bank loans	3,309	3,307	-	-
Other loans	197	33	-	-
	<u>3,506</u>	<u>3,340</u>	<u>-</u>	<u>-</u>
<b>Amounts falling due 2-5 years</b>				
Bank loans	92	12	-	-
	<u>92</u>	<u>12</u>	<u>-</u>	<u>-</u>
	<u>5,236</u>	<u>5,298</u>	<u>-</u>	<u>778</u>

#### 20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2022 £000	Group 2021 £000
Within one year	654	365
Between 1-5 years	1,122	417
	<u>1,776</u>	<u>782</u>

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

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 21. Deferred taxation

##### Group

	2022 £000	2021 £000
At beginning of year	504	436
Charged/(credited) to profit or loss	84	(66)
Arising on business combinations	413	134
<b>At end of year</b>	<b>1,001</b>	<b>504</b>

##### Company

	2022 £000	2021 £000
At beginning of year	20	14
Charged to profit or loss	10	6
<b>At end of year</b>	<b>30</b>	<b>20</b>

The provision for deferred taxation is made up as follows:

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Accelerated capital allowances	1,001	504	30	20

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 22. Share capital

	2022 £000	2021 £000
<b>Allotted, called up and fully paid</b>		
200 (2021 - 200) Ordinary shares of £1.00 each	-	-

Each share is entitled to one vote in any circumstances. Each share is entitled pari passu to dividends and distributions. The shares are not redeemable.

#### 23. Reserves

The Group and 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.

#### 24. Analysis of net debt

	At 1 January 2022 £000	Cash flows £000	Acquisition and disposal of subsidiaries £000	New finance leases £000	Other non- cash changes £000	At 31 December 2022 £000
Cash at bank and in hand	19,100	(3,267)	6,190	-	64	22,087
Bank overdrafts	-	(21)	-	-	-	(21)
Debt due after 1 year	(3,352)	576	(822)	-	-	(3,598)
Debt due within 1 year	(1,935)	753	(456)	-	-	(1,638)
Finance leases	(782)	324	-	(1,318)	-	(1,776)
	<u>13,031</u>	<u>(1,635)</u>	<u>4,912</u>	<u>(1,318)</u>	<u>64</u>	<u>15,054</u>

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 25. Business combinations

The below table represents the 73 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 £000
<b>Fixed Assets</b>		
Tangible	3,743	3,743
	<u>3,743</u>	<u>3,743</u>
<b>Current Assets</b>		
Stocks	2,451	2,451
Debtors	4,954	4,954
Cash at bank and in hand	6,466	6,466
	<u>17,614</u>	<u>17,614</u>
<b>Total Assets</b>		
<b>Creditors</b>		
Due within one year	(7,688)	(7,688)
Due after more than one year	(1,437)	(1,437)
Deferred taxation	(413)	(413)
	<u>8,076</u>	<u>8,076</u>
<b>Total identifiable net assets</b>		
Non-controlling interests		(3,365)
Goodwill		20,650
		<u>25,361</u>
<b>Total purchase consideration</b>		
		<u>25,361</u>

The book value is not materially different to fair value.

#### Consideration

	£000
Cash	21,155
Deferred consideration	3,590
Directly attributable costs	616
	<u>25,361</u>
<b>Total purchase consideration</b>	
	<u>25,361</u>

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 25. Business combinations (continued)

##### Cash outflow on acquisition

	£000
Purchase consideration settled in cash, as above	21,155
Directly attributable costs	616
	<u>21,771</u>
Less: Cash and cash equivalents acquired	(6,466)
<b>Net cash outflow on acquisition</b>	<u><u>15,305</u></u>

The results of new subsidiaries since acquisition are as follows:

	Current period since acquisition £000
Turnover	<u>19,386</u>
Profit for the period since acquisition	<u><u>2,052</u></u>

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 26. Disposal of subsidiary undertakings

On 7 June 2022 the Group sold its 50% interest in the ordinary share capital of Smith & Swepson Ltd. Smith & Swepson Ltd made a loss of £33,000 up to the date of disposal.

On 30 June 2022 the Group sold its 68% interest in the ordinary share capital of HG Vision. HG Vision made a loss of £27,000 up to the date of disposal.

The below table represents the 2 disposals made in the year which have been aggregated together as they are individually immaterial.

	£000
Cash proceeds	1,057
	<u>1,057</u>
<b>Net assets disposed of:</b>	
Stocks	36
Debtors	134
Cash	276
Creditors	(72)
	<u>374</u>
<b>Profit on disposal before tax</b>	<u><u>683</u></u>

The net inflow of cash in respect of the sale is as follows:

	£000
Cash consideration	1,057
Cash transferred on disposal	(276)
<b>Net inflow of cash</b>	<u><u>781</u></u>

## HO2 Management Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 27. 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 £1,354,000 (2021 - £721,000). Contributions totalling £293,000 (2021 - £209,000) were payable to the fund at the reporting date and are included in creditors.

#### 28. Commitments under operating leases

At 31 December 2022 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2022 £000	Group 2021 £000
Not later than 1 year	5,179	3,534
Later than 1 year and not later than 5 years	14,594	10,222
Later than 5 years	6,274	6,152
	<u>26,047</u>	<u>19,908</u>

#### 29. 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 2022 £000	Sales and recharges to 2021 £000	Purchases and recharges from 2022 £000	Purchases and recharges from 2021 £000
Entities over which the Group has control, joint control or significant influence	4,508	2,946	-	-
Other related parties	-	-	850	623
Key management personnel of the Company and its group	-	-	291	-
	<u>4,508</u>	<u>2,946</u>	<u>1,141</u>	<u>623</u>
			2022 £000	2021 £000
The amounts outstanding at year end - Due to related parties			1,063	481



## **HO2 Management Limited**

### **Notes to the Financial Statements For the Year Ended 31 December 2022**

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#### **30. Controlling party**

The immediate and ultimate parent undertaking is First Wave I Limited, a company incorporated in England and Wales with the 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.