

Brasgill Eyewear Ltd  
6974741

Company Registration Number: 05476134 (England & Wales)

**HO2 MANAGEMENT LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**



 **mha**  
**MOORE & SMALLEY**

---

## **HO2 MANAGEMENT LIMITED**

### **CONTENTS**

**YEAR ENDED 31 DECEMBER 2019**

---

	<b>Page</b>
Company information	1
Strategic report	2
Directors' report	5
Independent auditor's report to the members	7
Consolidated income statement	10
Consolidated balance sheet	11
Company balance sheet	12
Statements of changes in equity	13
Consolidated statement of cash flows	14
Notes to the consolidated statement of cash flows	15
Notes to the financial statements	16

---

## **HO2 MANAGEMENT LIMITED**

### **COMPANY INFORMATION**

---

<b>Directors</b>	I Hakim Z Hakim S Issa
<b>Company Secretary</b>	Z Hakim
<b>Company number</b>	05476134 (England and Wales)
<b>Registered office</b>	Unit 317 India Mill Business Centre Darwen Lancashire BB3 1AE
<b>Auditor</b>	MHA Moore and Smalley Richard House 9 Winckley Square Preston Lancashire PR1 3HP

## **HO2 MANAGEMENT LIMITED**

### **STRATEGIC REPORT**

**YEAR ENDED 31 DECEMBER 2019**

---

The directors present their strategic report for the year ended 31 December 2019.

#### **Principal activity**

The principal activity of the group during the year under review was trading as opticians through retail outlets acquired through their subsidiary undertakings and managed by the parent company.

#### **Review of the business**

Turnover for the group amounted to £50.2m for the 12 months ended 31 December 2019, compared with £49.5m for the 15 months ended 31 December 2018.

Group profit for the year after taxation amounted to £3.0m compared with £3.3m for the previous 15 month period.

At the Balance Sheet date, group shareholders' funds had decreased by £0.1m since the previous period end, representing a decrease of 3.1% during the reporting period.

Contributions from business acquisitions during the year is shown in note 24.

The directors consider the state of the group's affairs to be satisfactory and in line with their expansion plans, given the current economic climate and financing opportunities available.

#### **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.

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

The profitability of the group could be adversely affected by a worsening of general economic conditions in the United Kingdom. Factors such as unemployment, interest rates and inflation could significantly affect the retail market. Whilst a short term worsening in economic conditions in the United Kingdom should not significantly adversely impact profitability, a sustained downturn over a number of years would be likely to lead to reduced profits in this area. The unknown impact of Brexit could also significantly impact the business.

#### **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 two main sources of financing facilities which are, from banks by way of borrowing facilities and from suppliers by way of trade credit. A reduction in facilities or a failure to renew them as they expire could lead to a significant reduction in the trading ability of the group.

#### **Interest rate risk**

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

#### **Credit risk**

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

## HO2 MANAGEMENT LIMITED

### STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2019

---

#### 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.

#### Competition

The group's individual retail outlets, compete with large high street brands in an extremely competitive industry.

#### Failure of information systems

The group's business is dependent on the efficient and uninterrupted operation of our information technology and computer systems, which are vulnerable to damage or interruption from power loss, telecommunications failure, sabotage, vandalism or similar misconduct. There are in place contingency and recovery plans in order to mitigate the impact of such failures. The group continues to take reasonable steps to ensure improvement in the robustness of its systems.

#### Key Performance Indicators

Measure	2019	2018
Sales	£50.2m	£49.5m
Gross Profit	£36.1m	£33.6m
Operating profit (before goodwill amortisation & gain)	£7.1m	£7.9m
EBITDA	£7.9m	£8.5m
Bank Loan Debt	£8.6m	£7.1m

#### Employees

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

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

#### Section 172 statement

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

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

The overriding principle in the governance of the HO2 Management Group is that of ensuring transparent conduct, reflecting equitable dealings with colleagues, customers, our supply chain and other supporters. 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 this. The ultimate endorsement of this approach is seen in the length of service of our colleagues and through the weight of new member practices to the group in recent years.

## **HO2 MANAGEMENT LIMITED**

### **STRATEGIC REPORT *(continued)***

**YEAR ENDED 31 DECEMBER 2019**

---

#### **Section 172 statement *(continued)***

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

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

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

#### **Covid-19**

The rapid spread of COVID 19 outbreak on a global scale has resulted in the worldwide threat to health, the subsequent restrictions on travel and the distribution of many supply chains. The outbreak of COVID 19 is also likely to have a negative impact in 2020 on the global economy.

With regards of the operations of the group, in line with local government guidelines, the vast majority of employees have been transitioned to working from home arrangements, successfully supported by a robust IT infrastructure, with employees accessing group systems through a secure virtual desktop infrastructure.

The directors have considered the impact of COVID 19 on the group and have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

#### **Future Developments**

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

**On behalf of the board**

I Hakim  
Director

I HAKIM

**4<sup>th</sup> September 2020**

---

## **HO2 MANAGEMENT LIMITED**

### **DIRECTORS' REPORT**

**YEAR ENDED 31 DECEMBER 2019**

---

The directors present their annual report and financial statements of the group for the year ended 31 December 2019.

#### **Directors**

The directors who served the company during the year and up to the date of signature of the financial statements were as follows:

I Hakim  
Z Hakim  
S Issa

#### **Results and dividends**

The results for the year are set out on page 10, no dividends have been recommended or proposed at the year end and the amounts paid during the year are set out on page 13.

#### **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.

#### **Disabled persons**

*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.*

#### **Employee Involvement**

The group's policy is to consult and discuss with employees, staff councils and at 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.

#### **Auditor**

The auditor is deemed to be re-appointed in accordance with section 487(2) of the Companies Act 2006.

#### **Strategic report**

The company has chosen in accordance with Companies Act 2006, s414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial risk management and future developments.

## **HO2 MANAGEMENT LIMITED**

### **DIRECTORS' REPORT *(continued)***

**YEAR ENDED 31 DECEMBER 2019**

---

#### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 the company and 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 judgments 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Statement of disclosure to auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

On behalf of the board

**I Hakim  
Director**

*I. HAKIM*

**4<sup>th</sup> September 2020**



## **HO2 MANAGEMENT LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS**

**YEAR ENDED 31 DECEMBER 2019**

---

#### **Opinion**

We have audited the financial statements of HO2 Management Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 set out on pages 10 to 34. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019, and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### **Conclusions relating to going concern**

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

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

#### **Other information**

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

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

We have nothing to report in this regard.

---

## **HO2 MANAGEMENT LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS *(continued)***

#### **YEAR ENDED 31 DECEMBER 2019**

---

##### **Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

##### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

##### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

## HO2 MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2019

---

#### **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.

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

#### **Use of our report**

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



**Joe Sullivan (Senior Statutory Auditor)**  
**For and on behalf of MHA Moore and Smalley**  
**Chartered Accountants**  
**Statutory Auditor**

Richard House  
9 Winckley Square  
Preston  
Lancashire  
PR1 3HP

*8/9/2020*

**HO2 MANAGEMENT LIMITED**  
**CONSOLIDATED INCOME STATEMENT**  
**YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £'000 12 months	2018 £'000 15 months
<b>Turnover</b>	<b>3</b>	<b>50,159</b>	<b>49,490</b>
<b>Cost of sales</b>		<b>(14,076)</b>	<b>(15,918)</b>
<b>Gross profit</b>		<b>36,083</b>	<b>33,572</b>
<b>Administrative expenses</b>		<b>(28,981)</b>	<b>(25,686)</b>
<b>Other operating income</b>		<b>62</b>	<b>53</b>
<b>Operating profit before amortisation</b>	<b>4</b>	<b>7,164</b>	<b>7,939</b>
<b>Amortisation of goodwill</b>		<b>(2,879)</b>	<b>(2,672)</b>
<b>Gain on disposal of goodwill</b>		<b>1,027</b>	<b>-</b>
<b>Interest receivable and similar income</b>		<b>2</b>	<b>2</b>
<b>Interest payable and similar charges</b>	<b>7</b>	<b>(822)</b>	<b>(515)</b>
<b>Profit before taxation</b>		<b>4,492</b>	<b>4,754</b>
<b>Tax on profit on ordinary activities</b>	<b>8</b>	<b>(1,468)</b>	<b>(1,459)</b>
<b>Profit for the year and total comprehensive income</b>		<b>3,024</b>	<b>3,295</b>
<b>Profit for the year and total comprehensive income attributable to:</b>			
<b>Owners of the parent company</b>		<b>612</b>	<b>694</b>
<b>Non-controlling interest</b>		<b>2,412</b>	<b>2,601</b>
		<b>3,024</b>	<b>2,081</b>

The Income Statement has been prepared on the basis that all operations are continuing operations.

**HO2 MANAGEMENT LIMITED****CONSOLIDATED BALANCE SHEET****YEAR ENDED 31 DECEMBER 2019**

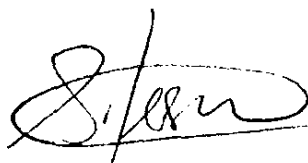
	Note	2019 £'000	2019 £'000	2018 £'000
<b>Fixed assets</b>				
Intangible assets	9		10,197	8,266
Tangible assets	10		3,141	3,277
Investments	11		-	-
			<u>13,338</u>	<u>11,543</u>
<b>Current assets</b>				
Stocks	12	3,032		2,614
Debtors	13	3,953		3,866
Cash at bank and in hand		4,483		3,636
		<u>11,468</u>		<u>10,116</u>
<b>Creditors: falling due within one year</b>	14	<u>(17,009)</u>		<u>(12,213)</u>
<b>Net current (liabilities)/assets</b>			<u>(5,541)</u>	<u>(2,097)</u>
<b>Total assets less current liabilities</b>			<u>7,797</u>	<u>9,446</u>
<b>Creditors: falling due after more than one year</b>	15		<u>(3,476)</u>	<u>(5,064)</u>
<b>Deferred tax</b>	17		<u>(282)</u>	<u>(214)</u>
<b>Net assets</b>			<u><u>4,039</u></u>	<u><u>4,168</u></u>
<b>Capital and reserves</b>				
Called up share capital	19		-	-
Profit and loss reserves	20		2,200	1,871
<b>Equity attributable to owners of the parent company</b>			<u>2,200</u>	<u>1,871</u>
<b>Non-controlling interest</b>			<u>1,839</u>	<u>2,297</u>
<b>Total equity</b>			<u><u>4,039</u></u>	<u><u>4,168</u></u>

These financial statements were approved by the board of directors and authorised for issue on 4<sup>th</sup> September 2020, and are signed on behalf of the board by:

I Hakim  
Director

I HAKIM

S Issa  
Director



Company registration number: 05476134

**HO2 MANAGEMENT LIMITED****COMPANY BALANCE SHEET****YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Tangible assets	10	90	211
Investments	11	14,160	9,090
		<u>14,250</u>	<u>9,301</u>
<b>Current assets</b>			
Stocks	12	-	-
Debtors	13	5,618	5,073
Cash at bank and in hand		758	439
		<u>6,376</u>	<u>5,512</u>
<b>Creditors: falling due within one year</b>	14	<u>(10,904)</u>	<u>(6,498)</u>
<b>Net current assets/(liabilities)</b>		<u>(4,528)</u>	<u>(986)</u>
<b>Total assets less current liabilities</b>		<u>9,722</u>	<u>8,315</u>
<b>Creditors: falling due after more than one year</b>	15	(1,954)	(3,348)
<b>Deferred tax</b>	17	(6)	(16)
<b>Net assets</b>		<u>7,762</u>	<u>4,951</u>
<b>Capital and reserves</b>			
Called up share capital	19	-	-
Profit and loss reserves	20	7,762	4,951
<b>Total equity</b>		<u>7,762</u>	<u>4,951</u>

As permitted by s408 Companies Act 2006, the parent company has not presented its own separate income statement and related notes. The profit for the year was £3,094k (2018: £3,031k).

These financial statements were approved by the board of directors and authorised for issue on 4<sup>th</sup> September 2020, and are signed on behalf of the board by:

I Hakim  
Director

I HAKIM

S Issa  
Director



Company registration number: 05476134

# HO2 MANAGEMENT LIMITED

## STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

Group	Equity attributable to owners of the parent company			Non controlling interest	Total equity
	Share capital £'000	Share premium £'000	Profit and loss £'000	£'000	£'000
At 27 September 2017	-	-	1,495	1,133	2,628
Profit for the period	-	-	694	2,601	3,295
Dividends paid	-	-	(318)	(1,905)	(2,223)
On acquisition of subsidiaries	-	-	-	468	468
At 31 December 2018	-	-	1,871	2,297	4,168
Profit for the year	-	-	612	2,412	3,024
Dividends paid	-	-	(283)	(3,229)	(3,512)
On acquisition of subsidiaries	-	-	-	359	359
At 31 December 2019	-	-	2,200	1,839	4,039

Company	Share capital £'000	Share premium £'000	Profit and loss £'000	Total Equity £'000
At 27 September 2017	-	-	2,238	2,238
Profit for the period	-	-	3,031	3,031
Dividends paid	-	-	(318)	(318)
At 31 December 2018	-	-	4,951	4,951
Profit for the year	-	-	3,094	3,094
Dividends paid	-	-	(283)	(283)
At 31 December 2019	-	-	7,762	7,762

**HO2 MANAGEMENT LIMITED****CONSOLIDATED STATEMENT OF CASH FLOWS****YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	8,794	6,605
Interest paid		(822)	(515)
Interest received		2	2
Tax paid		(1,747)	(1,007)
Net cash inflow from operating activities		<u>6,227</u>	<u>5,085</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(5,768)	(6,517)
Purchase of tangible fixed assets		(596)	(982)
Proceeds from sale of intangible assets		2,250	27
Proceeds from sale of tangible assets		222	-
Cash acquired with subsidiary undertaking		1,700	1,084
Net cash used in investing activities		<u>(2,192)</u>	<u>(6,388)</u>
<b>Cash flows from financing activities</b>			
New bank loans		4,400	5,772
Bank loan repayments		(3,863)	(2,258)
Movement in finance lease liabilities		(152)	425
Equity Dividends paid		(3,512)	(2,223)
Net cash (spent)/generated from financing activities		<u>(3,127)</u>	<u>1,716</u>
<b>Net increase in cash and cash equivalents</b>		908	413
Cash and cash equivalents at beginning of year	2	<u>3,414</u>	<u>3,001</u>
Cash and cash equivalents at end of year	2	<u>4,322</u>	<u>3,414</u>



# HO2 MANAGEMENT LIMITED

## NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

### 1 Reconciliation of profit for the year to cash flows from operating activities

	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>		
Profit for the financial year	3,024	3,295
Tax charges	1,468	1,459
Amortisation and depreciation charges	3,649	3,267
(Profit)/Loss on disposal of fixed assets	(1,028)	9
Interest receivable and similar income	(2)	(2)
Interest payable and similar charges	822	515
Tax balances acquired on acquisition	351	400
<b>Net cash from operating activities</b>	<b>8,284</b>	<b>8,943</b>
Decrease in stocks	93	134
Increase in trade and other debtors	(87)	(632)
Increase/(Decrease) in trade and other creditors	504	(1,840)
<b>Cash flows from operating activities</b>	<b>8,794</b>	<b>6,605</b>

### 2 Reconciliation of Net debt

	At 1 January 2019 £'000	Cashflows £'000	Other non-cash changes £'000	At 31 December 2019 £'000
<b>Borrowings</b>				
Debt due within one year	2,832	537	3,372	6,741
Debt due after more than one year	4,241	-	(2,383)	1,858
Finance leases	651	(152)	-	499
	<u>7,724</u>	<u>385</u>	<u>989</u>	<u>9,098</u>
<b>Cash and cash equivalents</b>				
Cash at bank and in hand	(3,636)	(847)	-	(4,483)
Bank overdraft	222	(61)	-	161
	<u>(3,414)</u>	<u>(908)</u>	<u>-</u>	<u>(4,322)</u>
<b>Net debt</b>	<b>4,310</b>	<b>(523)</b>	<b>989</b>	<b>4,776</b>

## **HO2 MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2019**

---

#### **1 Company Information**

HO2 Management Limited ("the company") is a private company limited by shares, incorporated in England and Wales. The registered office is Unit 317, India Mill Business Centre, Darwen, Lancashire, BB3 1AE.

#### **2 Accounting policies**

##### **Basis of preparation**

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis and are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest thousand.

The parent company is a qualifying entity for the purposes of FRS 102, being a member of a group where consolidated financial statements are prepared, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The parent company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;

##### **Going concern**

At the time of approving the financial statements, the directors have every expectation that the group and the parent company has adequate resources to continue in operational existence for the foreseeable future.

The group and the parent company each has a strong balance sheet and is well placed to manage its business risks despite the uncertain economic outlook. Therefore the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

As explained in the Strategic report, the directors have considered the impact of COVID 19 on the group and have reasonable expectation that the group have resources in place to continue as a going concern.

##### **Consolidation**

The financial statements consolidate the financial statements under the acquisition method of HO2 Management Limited and all of its subsidiary undertakings. Goodwill arising on consolidation is capitalised and amortised over the directors' estimation of its useful life, being a maximum of five years.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual income statements.

##### **Reporting period**

The financial statements for the current period cover the 12 months from 1 January 2019 to 31 December 2019. Those for the previous period cover the 15 months from 28 September 2017 to 31 December 2018. The accounting period end was amended in the previous period, so that all group components could draw up statutory financial statements to the same date.

## HO2 MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2019

---

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

##### **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.

Revenue 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.

##### **Taxation**

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

##### **Current tax**

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

##### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

## HO2 MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2019

---

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

##### **Financial instruments**

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

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

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

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

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

## HO2 MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2019

---

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

##### ***Basic financial liabilities***

Basic financial liabilities, including trade payables and bank loans, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

##### ***Other financial liabilities***

All of the group's financial liabilities are basic financial instruments.

##### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when, and only when, the obligation specified in the contract is discharged, cancelled, or expires.

##### ***Equity instruments***

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

##### ***Intangible assets***

Intangible assets are initially recorded at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and impairment losses.

Positive goodwill acquired on each business combination is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful 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. Provision is made for any impairment.

##### ***Tangible assets***

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	- 2% straight line
Long leasehold property	- 2% straight line
Plant, equipment and vehicles	- 25% straight line and 20% to 25% reducing balance

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

## **HO2 MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**YEAR ENDED 31 DECEMBER 2019**

---

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

##### **Fixed asset investments**

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss. A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

##### **Impairment of fixed assets**

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

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

##### **Stocks**

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment relating to damaged, obsolete or slow moving items. Any excess of the carrying amount of stocks over its estimated selling price less costs to sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

##### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

## **HO2 MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS *(continued)***

**YEAR ENDED 31 DECEMBER 2019**

---

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

##### **Provisions**

Provisions are recognised when the group or parent company has an obligation at the balance sheet date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated.

##### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

##### **Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

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

##### **Retirement benefits**

The group and the parent company operates a defined contribution pension scheme for all qualifying employees, contributions to this scheme are charged to the income statement as they fall due. The assets of the scheme are held separately from those of the group in an independently administered fund.

##### **Foreign currency**

Foreign currency transactions are translated into the group entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

## HO2 MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2019

---

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

##### **Judgements and key sources of estimation uncertainty**

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

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

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

- Valuation and life of tangible fixed assets – The useful economic life of tangible fixed assets is judged at the point of purchase and is then re-assessed at each reporting date. A useful economic life of each asset class is stated above within the accounting policies for tangible assets.
- Valuation and life of intangible fixed assets – The useful economic life of goodwill is based upon the directors' assessment of various pertinent matters including but not restricted to, the stability of the industry, current and expected gross contribution from the site, barriers to competition and the durability of customer bases in the locality. The useful economic life of goodwill is stated above within the accounting policies for intangible assets.
- Provision for irrecoverable trade debtors – At each balance sheet date, management undertake a review of the outstanding trade debtor balances and estimate the balance that should either be impaired or provided against. This calculation is based on the financial position of the customers, the historical speed of payment and any ongoing discussions.
- Provision for slow moving or obsolete stock – At each balance sheet date, management undertake a review of stock balances and estimate the balance that should either be impaired or provided against. This calculation is based on the individual stock aging profile, expected sales at each retail site, expectations over current fashion trends and with due regard to arrangements over stock returns which may exist with suppliers.
- Impairment assessment and estimation of recoverable value of goodwill – At each balance sheet date management review whether the carrying value of each facet of goodwill is impaired, bearing in mind the same factors noted above.



## HO2 MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2019

#### 3 Turnover

The whole of the turnover is attributable to the principal activities of the group which has been further classified by type and country of operations below:

Analysis of turnover by class:

	2019 £'000	2018 £'000
Retail optical sales	49,064	45,750
Other optical sales	1,095	3,740
	<u>50,159</u>	<u>49,490</u>

Analysis of turnover by country of destination:

	2019 £'000	2018 £'000
United Kingdom	48,079	47,765
Republic of Ireland	2,080	1,725
	<u>50,159</u>	<u>49,490</u>

#### 4 Operating profit

	2019 £'000	2018 £'000
Operating profit stated after charging:		
Depreciation of tangible assets	770	595
(Profit)/Loss on disposal of tangible assets	(1)	6
Loss on disposal of intangible assets	-	3
Operating lease charges – Plant & equipment	381	461
Operating lease charges – Land & buildings	1,819	1,630
Auditor's remuneration – as auditor	76	70
	<u></u>	<u></u>

##### Auditor's fees

The fees charged can be further analysed under the following headings for services rendered:

	2019 £'000	2018 £'000
Audit of these accounts	76	70
Audit of subsidiary companies	-	-
	<u>76</u>	<u>-</u>

## HO2 MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2019

#### 5 Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2019 No	2018 No
Management (including directors)	147	95
Operational	67	60
Retail outlets	610	589
	<u>824</u>	<u>744</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2019 £'000	2018 £'000
Wages and salaries	14,711	10,439
Social security costs	927	447
Pension costs – defined contribution scheme	312	166
	<u>15,950</u>	<u>11,052</u>

The total key management personnel remuneration was £2,909k (2018: £1,816k).

#### 6 Directors remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2019 £'000	2018 £'000
Remuneration for qualifying services (including benefits in kind)	38	35
Pension costs – defined contribution scheme	-	-
	<u>38</u>	<u>35</u>

The number of directors who accrued benefits under the company's defined contribution pension scheme was nil (2018: two)

#### 7 Interest payable and similar charges

	2019 £'000	2018 £'000
Interest on bank loans and overdrafts	797	463
Interest on finance leases and hire purchase contracts	10	48
Other interest payable and similar charges	15	4
	<u>822</u>	<u>515</u>

## HO2 MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2019

#### 8 Taxation

##### Tax on profit on ordinary activities

	2019 £'000	2018 £'000
<i>Current tax</i>		
UK corporation tax on profits for the current period	1,448	1,306
Adjustments in respect of prior periods	(10)	-
Total current tax	<u>1,438</u>	<u>1,306</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(40)	153
Adjustments in respect of prior periods	70	-
Total deferred tax	<u>30</u>	<u>153</u>
Total tax charge	<u>1,468</u>	<u>1,459</u>

##### Reconciliation of tax charge on profit on ordinary activities

The actual tax charge for the year can be reconciled to the expected charge for the year based on the profit and the standard rate of tax of 19% (2018: 19%) as follows:

	2019 £'000	2018 £'000
Profit on ordinary activities before taxation	<u>4,492</u>	<u>4,754</u>
Profit on ordinary activities by rate of tax	853	903
Expenses not deductible for tax purposes	330	623
Deferred tax not recognised on tax losses movement	225	(67)
Adjustments in respect of prior periods	60	-
Tax on profit on ordinary activities	<u>1,468</u>	<u>1,459</u>

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 tax losses carried forward at the end of the period was £271k (2018: £99k)

## HO2 MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2019

#### 9 Intangible assets

Group	Goodwill £'000
<b>Cost</b>	
At 1 Jan 2019	15,713
Acquired on acquisitions	1,467
Additions	5,768
Disposals	(1,523)
At 31 Dec 2019	<u>21,425</u>
<b>Amortisation</b>	
At 1 Jan 2019	7,447
Acquired on acquisitions	1,202
Amortised in year	2,879
Disposals	(300)
At 31 Dec 2019	<u>11,228</u>
<b>Carrying amount</b>	
At 31 Dec 2019	<u>10,197</u>
At 31 Dec 2018	<u>8,266</u>

#### 10 Tangible assets

Group	Freehold land & buildings £'000	Leasehold land & buildings £'000	Plant, equipment and vehicles £'000	Total £'000
<b>Cost</b>				
At 1 Jan 2019	690	653	9,291	10,634
Reclassification	(11)	143	(232)	(100)
Acquired on acquisitions	-	136	1,198	1,334
Additions	-	2	594	596
Disposals	(141)	-	(737)	(878)
At 31 Dec 2019	<u>538</u>	<u>934</u>	<u>10,114</u>	<u>11,586</u>
<b>Depreciation</b>				
At 1 Jan 2019	20	397	6,940	7,357
Reclassification	(2)	124	(222)	(100)
Acquired on acquisitions	-	89	986	1,075
Charge for the year	2	70	698	770
Disposals	(20)	-	(637)	(657)
At 31 Dec 2019	<u>-</u>	<u>680</u>	<u>7,765</u>	<u>8,445</u>
<b>Carrying amount</b>				
At 31 Dec 2019	<u>538</u>	<u>254</u>	<u>2,349</u>	<u>3,141</u>
At 31 Dec 2018	<u>670</u>	<u>256</u>	<u>2,351</u>	<u>3,277</u>

The net book value of plant, machinery and vehicles for the group includes an amount of £379k (2018 - £506k) in respect of assets held under finance leases and hire purchase contracts. Depreciation charge on these assets during the year were £162k (2018 - £116k).

# HO2 MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2019

### 10 Tangible assets (continued)

Company	Freehold land & buildings £'000	Leasehold land & buildings £'000	Plant, equipment and vehicles £'000	Total £'000
<b>Cost</b>				
At 1 Jan 2019	152	-	258	410
Reclassification	(11)	11	-	-
Additions	-	-	31	31
Disposals	(141)	-	-	(141)
At 31 Dec 2019	<u>-</u>	<u>11</u>	<u>289</u>	<u>300</u>
<b>Depreciation</b>				
At 1 Jan 2019	20	-	179	199
Reclassification	(2)	2	-	-
Charge for the year	2	1	28	31
Disposals	(20)	-	-	(20)
At 31 Dec 2019	<u>-</u>	<u>3</u>	<u>207</u>	<u>210</u>
<b>Carrying amount</b>				
At 31 Dec 2019	<u>-</u>	<u>8</u>	<u>82</u>	<u>90</u>
At 31 Dec 2018	<u>132</u>	<u>132</u>	<u>79</u>	<u>211</u>

The company had no assets held under finance leases and hire purchase contracts.

### 11 Investments

Company	Shares in group undertakings £'000
<b>Cost</b>	
At 1 Jan 2019	9,090
Additions	6,398
Disposals	(1,328)
At 31 Dec 2019	<u>14,160</u>

The company has chosen in accordance with Companies Act 2006, s479A not to audit the individual subsidiary undertakings and provide a parent company guarantee on behalf of these undertakings.

The registered name, number, registered office, country of incorporation and the profit/shareholding percentage of all group undertakings, which are under the control of the parent are noted below. In all cases the business activity is retail optician outlets.

# HO2 MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2019

### 11 Investments (continued)

Group undertaking	Registration Number	Percentage Held	Registered office & country of Incorporation
Janet Porter Optical LLP	OC363857	53	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Terry and Associates Limited	07341323	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Shearwater Optics Ltd	128843c	50	35 Bucks Rd, Douglas, IM1 3DE, Isle of Man
Irlam Optical Ltd	08158324	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
New Brighton Optical Ltd	07798074	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Waterloo Eye Centre LLP	OC363765	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Carnforth Optical Ltd	07162884	25	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
BB Optical Ltd	08595692	80	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Clamp Optometrists Limited	05728666	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Tymms & Embury Ltd	09152655	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Adlam and Coombes Optometrists Limited	07155334	80	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Masfield Optical Limited	08244283	75	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Stokers Optical Ltd	08244093	65	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
VW Optical Ltd	09148977	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Halsey Optical Ltd	06379855	75	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Biddle Optical Ltd	06487441	100	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
C.P.T Holdings Limited	04124835	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Neitherton Eye Centre Limited	03151808	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Peters Optical Newmarket Ltd	08581505	60	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Robert & Quinn Optical Ltd	09896218	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Suzanne Dennis Optometrist Limited	06325380	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Morane Optical Ltd	09733127	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Paul Cheetham Optical Ltd	09733025	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Walsh Optical Ltd	09733149	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Eyesentels Limited	04379745	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Medeley Optical Ltd	09853249	80	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Newbold Optical Ltd	09881043	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Evington Eyecare Ltd	04383615	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Bridgnorth Optical Ltd	10095622	100	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
McGovern Hakim Limited	1E578345	75	Market Lane, Westport, Co. Mayo, D07 XEWM, Republic of Ireland
V.J. Hughes Limited	04649126	75	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Wendy Diddams Limited	05756220	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Enfield Optical Limited	10192552	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Premier Optics Ltd	04137059	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
James Kidner Opticians Limited	05177352	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
David Henderson Optical Ltd	10279293	80	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
H.W. Williams (Optometrists) Limited	06189091	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Daybell & Choo (Eyecare) LLP	OC363137	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
<i>Acquired in the previous period:</i>			
Elberker Eyewear Limited	09935203	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Millicans Optical Ltd	10489639	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Sarah Dineen Limited	07742731	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Holland Opticians Limited	01716548	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Kimberley Opticians Partnership	n/a	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
See-Deby Ltd	07084377	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Tropia Limited	05324913	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Columbo Limited	04386468	75	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Dr Stella Griffiths Limited	04923908	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Smith & Swenson Opticians Limited	08052149	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
David Wood Optical Ltd	10890523	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Harris Opticians Limited	08421821	65	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Harris Opticians (Heworth) Limited	10865052	80	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
James Bryan Opticians Limited	03660510	62.5	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Eyeshie Practices Limited	02247919	80	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Eyeshie Weybridge Limited	03046420	80	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Eyeshie Woking Limited	02893486	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Urban Optics Limited	1E551350	80	Scollis St, Killybegs, Co. Kerry, Republic of Ireland
Anne Irving Optometrist Limited	06371800	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Elsmere Optical Limited	03960676	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Skilbeck & Jones (Opticians) Limited	01443409	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Richard Haynes Limited	04897855	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Y&S Optical Group Limited	05778967	75	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Yates & Suddell (Walsden) Limited	03967004	75	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Barrow Optical Ltd	11121928	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Heiston Optical Ltd	11121612	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Ryde Optical Ltd	11121963	60	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Pryor and Clacher Limited	05728118	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Heath Optometric Limited	11219568	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Second Sight CL Limited	01958248	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Castanea Optical Limited	1E623735	50	7 Lowerpark Ave, Charlestown, Co. Mayo, F12 DK84, Republic of Ireland
Eye2Eye Optical Birkenhead Ltd	11285903	100	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Eye2Eye Optical Heeswall Ltd	11278739	75	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Eye2Eye Optical Upton Ltd	11278318	70	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
G. A. Robinson Optometrists Limited	05072287	100	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Golden & Harper Limited	05459514	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
K. France (Opticians) Limited	03881374	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Memory Opticians Limited	04588945	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Peter Bowers Optical Ltd	11394184	75	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Tracey York-Andrews Eye Care Excellence Ltd	08118910	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
J. Wooding Opticians Ltd	07052640	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Simon Browning Optical Ltd	11407482	75	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Wigram & Ware Limited	00163276	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Botley Optical Ltd	03628314	75	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Skye Optometrists Limited	07962170	60	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England

## HO2 MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2019

#### 11 Investments (continued)

Group undertaking	Registration Number	Percentage Held	Registered office & country of incorporation
<i>Acquired in the current year:</i>			
Hazel Smith Optical Ltd	01154992	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Harold I. Silverberg Limited	00902321	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Stephen Evans Optical Limited	11848148	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Pinder & Moore Limited	03727250	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Tim Roebuck Optician Limited	04817963	90	4 King Street, Penrith, Cumbria, CA11 7AR, England
S Donne (Bedford) Limited	02948354	75	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Galway Independent Opticians Limited	648360	50	Corner House, Woodquay, Galway, H91 FW10, Republic of Ireland
Staples Optical Limited	11840910	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Brosig Eyewear Limited	06974741	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Optima (Exeter) Ltd.	03451102	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Leyland Optical Limited	11913261	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Stephens Opticians Limited	03468248	100	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Pullen and Symes Limited	04553245	100	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Gill Opticians Ltd	07824593	57.6	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Keith Murphy Opticians Limited	05773388	50	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England
Endersby of Boston Limited	07702084	100	Unit 317, India Mill Business Centre, Darwen, BB3 1AE, England

#### 12 Stocks

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Goods for resale	3,032	2,614	-	-

#### 13 Debtors

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade debtors	1,952	1,536	470	192
Amounts owed by group undertakings	-	-	3,946	3,494
Other debtors	1,470	1,740	1,014	1,066
Prepayments and accrued income	531	590	188	321
	3,953	3,866	5,618	5,073

## HO2 MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2019

#### 14 Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank overdrafts	161	222	-	-
Bank loans	6,741	2,832	6,319	2,361
Amounts owed by group undertakings	-	-	247	389
Obligations under finance leases and hire purchase contracts	203	209	-	-
Trade creditors	2,401	1,843	331	147
Other taxation and social security	519	241	166	92
Corporation tax payable	1,649	1,607	-	-
Other creditors	5,014	5,028	3,722	3,399
Directors' loan accounts	40	25	40	25
Accruals and deferred income	281	206	79	85
	<u>17,009</u>	<u>12,213</u>	<u>10,904</u>	<u>6,498</u>

Details of security and repayment periods are disclosed in note 16.

#### 15 Creditors: amounts falling due after more than one year

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank loans	1,858	4,241	975	3,348
Obligations under finance leases and hire purchase contracts	296	442	-	-
Other creditors	1,322	381	979	-
	<u>3,476</u>	<u>5,064</u>	<u>1,954</u>	<u>3,348</u>

Details of security and repayment periods are disclosed in note 16.



## HO2 MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2019

#### 16 Borrowings, derivatives and security

*Analysis of maturity of bank loans:*

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Within one year	6,741	2,832	6,319	2,361
Between one and two years	1,390	2,728	975	2,361
Between two and five years	424	1,513	-	987
After five years	44	-	-	-
	<u>8,599</u>	<u>7,073</u>	<u>7,294</u>	<u>5,709</u>

Following a recent restructure of the business all bank loans have been repaid after the year end and the above maturity analysis takes this into consideration. Bank borrowings were secured by a fixed and floating charge over the assets of the group with personal director guarantees which are unlimited. Interest charged on these loans range from 1% above base rate to 6.5%.

*Analysis of maturity of finance leases and hire purchase contracts:*

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Within one year	203	209	-	-
In two to five years	296	442	-	-
	<u>499</u>	<u>651</u>	<u>-</u>	<u>-</u>

Hire purchase liabilities, which represent amounts payable by the group for certain plant, equipment and vehicles, are secured on the assets to which they relate.

#### 17 Deferred tax asset

Deferred tax assets and liabilities are offset where the group or parent company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes, stated at 19% (2018: 17%):

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Accelerated capital allowances	<u>282</u>	<u>214</u>	<u>6</u>	<u>16</u>
	<u>282</u>	<u>214</u>	<u>6</u>	<u>16</u>
<i>Movement in the year:</i>				
At 1 Jan 2019	214	63	16	16
Acquired on acquisition of subsidiary	38	(2)	-	-
Charge/(credit) to profit or loss	30	153	(10)	-
At 31 Dec 2019	<u>282</u>	<u>214</u>	<u>6</u>	<u>16</u>

The group has not finalised its capital expenditure programme for the next financial year and therefore an assessment as to the likely movement of timing differences cannot reasonably be made.

## HO2 MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2019

---

#### 18 Financial instruments

The carrying amounts of financial instruments are as follows:

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Measured at fair value through profit or loss	-	-	-	-
Measured at amortised cost	<u>3,422</u>	<u>3,276</u>	<u>19,590</u>	<u>13,842</u>
<b>Financial liabilities</b>				
Measured at fair value through profit or loss	-	-	-	-
Measured at amortised cost	<u>17,818</u>	<u>14,778</u>	<u>12,692</u>	<u>9,754</u>

Income and expenses arising from financial assets and liabilities comprise the return on fixed asset investments and interest payable on borrowings. The total interest expense for financial liabilities that are not measured at fair value through profit or loss was £0.8m (2018: £0.5m).

#### 19 Share capital

Issued, called up and fully paid

	2019	2018
	£'000	£'000
100 Ordinary shares of £1 each	<u>-</u>	<u>-</u>

#### 20 Reserves

Profit and loss reserves - represents cumulative profits and losses net of dividends which are attributable to the owners of the parent company.

#### 21 Control

The group is under the control of its directors and their immediate family.

## HO2 MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2019

#### 22 Operating leases commitments

Operating lease payments represent rentals payable by group companies to third parties for certain properties, plant, equipment and vehicles.

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land & buildings		Plant & equipment	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Group</b>				
Within one year	1,786	1,221	367	227
Between two to five years	4,360	3,543	481	398
After five years	2,466	2,649	-	-
	<u>8,612</u>	<u>7,413</u>	<u>848</u>	<u>625</u>
	Land & buildings		Plant & equipment	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Company</b>				
Within one year	15	-	-	-
Between two to five years	16	-	-	-
After five years	-	-	-	-
	<u>31</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### 23 Related party transactions

##### Transactions with key management personnel (excluding directors)

The group leases properties from key management personnel. Such rents paid in the period totalled £262,675 (2018: £220,220).

Other creditors include amounts owed to key management personnel of £1,000,828 (2018: £1,176,339).

##### Transaction with directors

The group leases properties from companies in which the directors have a controlling interest. Such rents paid in the period totalled £66,545 (2018: £44,975).

##### Other related parties

No other transactions with related parties were undertaken such as are required to be disclosed under FRS102.

## HO2 MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 DECEMBER 2019

#### 24 Business Acquisitions and disposals

During the year the group acquired sixteen (2018: thirty-one) group undertakings, which are disclosed in note 11. On a group basis the acquisition values of these group undertakings are set out below:

	2019		2018	
	Book Value £'000	Fair Value £'000	Book Value £'000	Fair Value £'000
Intangible assets	265	265	986	986
Tangible assets	259	259	1,282	1,282
Cash and cash equivalents	1,700	1,700	1,084	1,084
Stock, debtors and creditors	(218)	(218)	(1,784)	(1,784)
Deferred taxation		(38)		2
Non-controlling interest		(359)		(468)
Net assets acquired		1,609		1,102
Goodwill arising on consolidation		4,789		4,788
Total consideration		6,398		5,890

The consideration was satisfied by:

	2019 £'000	2018 £'000
Cash	6,398	5,890
Total consideration	6,398	5,890

Contribution by the acquired business for the reporting period included in the consolidated profit and loss account since acquisition:

	2019 £'000	2018 £'000
Turnover	4,845	15,348
Profit after tax	323	903

During the year, the group released some of its holding to non-controlling interest, which resulted in a gain on disposal of goodwill of £1,027k for which proceeds of £2,250k were received. The parent company did not lose control of these subsidiaries and the results of these subsidiaries remain as part of the group with the holdings of the non-controlling interest at the year end representing their share of the net assets of the subsidiaries.