INSPECS
GROUP PLC

GREAT EYEWEAR
DESIGNED & MADE BY GREAT PEOPLE

ANNUAL REPORT & ACCOUNTS 2019

INSPECS produce eyewear for a global portfolio of fashion, sports and lifestyle brands and patented concept eyewear.

Our purpose is to provide the highest standard of innovative design, engineering expertise, sustainable manufacturing and distribution of both brand and proprietary eyewear products to consumers worldwide.

A 'one-stop shop' solution to global eyewear retail chains, INSPECS is well positioned to take further market share in the globally-expanding eyewear market.

www.inspecs.com

INSPECS
GROUP PLC

INSPECS ANNUAL REPORT & ACCOUNTS 2019

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INSPECS
GROUP PLC

CREATIVITY

Making true to brand eyewear is what we do.
Retailers recommend us as 'eyewear partner of choice'.

READ ABOUT OUR VALUES ON **PAGE 20 & 21**

END-TO-END EXCELLENCE

The first British eyewear company to become fully integrated from design to manufacture.

READ ABOUT OUR VALUES ON **PAGE 22 & 23**

PARTNERSHIP

Award-winning design, development and marketing.

READ ABOUT OUR VALUES ON **PAGE 24 & 25**

Prescription ready sunglasses and optical frames precision-manufactured by INSPECS

OPERATIONAL HIGHLIGHTS

2019	$71.38m
2018	$69.33m

TOTAL ASSETS
$71.38m
2018: $69.33m

2019	4.55m
2018	3.80m

FRAMES MANUFACTURED
4.55m
2018: 3.80m

GROUP REVENUE
+6.9%

UNDERLYING EBITDA
+9.4%

FULLY DILUTED EPS
+82%

FRAMES MADE
+19.7%

"As we embark on the next stage of our growth journey, our admission to AIM represents a landmark moment for INSPECS. It will enable the business to grow and develop, both organically and through accretive acquisitions, in order to capitalise on the significant market opportunity that exists in the globally expanding eyewear industry."

Robin Totterman
Chief Executive Officer

"INSPECS are the first IPO on AIM this year raising over £90m. AIM has been set up as a market to support entrepreneurial, founder-led businesses like INSPECS, and we really look forward to supporting their growth on market."

Claire Dorrian
Regional Head UK Primary Markets London Stock Exchange Group

FINANCIAL HIGHLIGHTS

2019	$61.25m
2018	$57.30m

GROUP REVENUE
$61.25m
2018: $57.30m

2019	$12.99m
2018	$11.87m

UNDERLYING EBITDA
$12.99m
2018: $11.87m

2019	$7.35m
2018	$3.63m

PROFIT BEFORE TAX
$7.35m
2018: $3.63m

2019	$16.38c
2018	$8.90c

BASIC EPS
$16.38c
2018: $8.90c

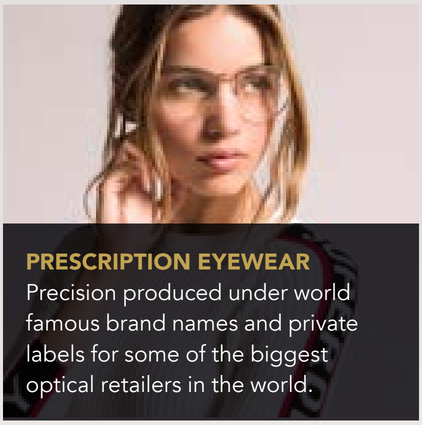
2019	$14.80c
2018	$8.14c

DILUTED EPS
$14.80c
2018: $8.14c

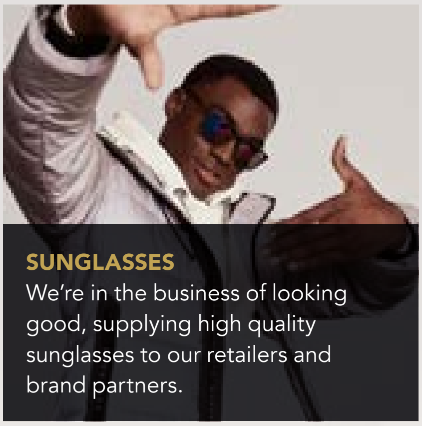
OUR BUSINESS AT A GLANCE

Award-winning INSPECS designs, manufactures and distributes eyewear to over 80 countries around the world, supplying predominantly mid-price products across optical, sunglasses and safety. A one-stop-shop solution, we sell our eyewear directly to retailers, specialist distributors and to our brand partners.

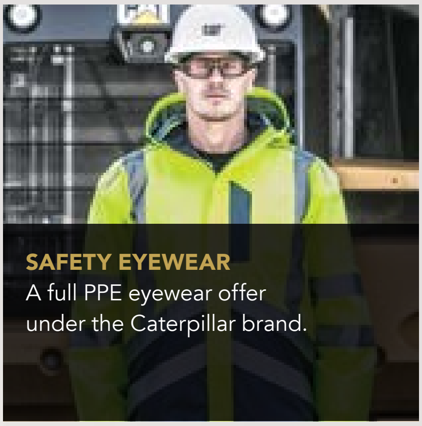
KEY PRODUCT RANGES



PRESCRIPTION EYEWEAR
Precision produced under world famous brand names and private labels for some of the biggest optical retailers in the world.



SUNGLASSES
We're in the business of looking good, supplying high quality sunglasses to our retailers and brand partners.



SAFETY EYEWEAR
A full PPE eyewear offer under the Caterpillar brand.

INSPECS CEO Robin Totterman and the design and technical teams work on new eyewear collections

We are well positioned to continue to take market share in the globally expanding eyewear market.

MARKET SIZE AND OPPORTUNITY

$131bn

VALUE OF THE GLOBAL EYEWEAR MARKET

7.7bn

4.5bn

OF A GLOBAL POPULATION OF 7.7 BILLION PEOPLE, APPROXIMATELY 4.5 BILLION ARE LIKELY TO REQUIRE VISION CORRECTION AND FEWER THAN HALF USE CORRECTIVE EYEWEAR

KEY MILESTONES

1988

1988

THE YEAR INSPECS WAS FOUNDED

80+

COUNTRIES AROUND THE WORLD BUY OUR EYEWEAR PRODUCTS

$61.25m

COMPANY REVENUE IN 2019

$12.99m

Underlying EBITDA VALUE IN 2019

FOR MORE INFORMATION
INSPECS.COM/INVESTORS

GREAT EYEWEAR **DESIGNED & MADE BY GREAT PEOPLE**

CULTURE

Our ethos is to stay nimble and be good to deal with. INSPECS started with a commitment to produce accessible eyewear so that everyone can look and feel great in specs. Our aim is to be the choice eyewear partner for brands and retailers, making their lives easier and growing their businesses. The Group aims to think creatively, do things differently and be pioneering and visionary. Strong moral principles of integrity, honesty and openness, and doing the right thing guide our culture throughout the organisation. In 2019 the Group held the Happiest Workplace Award awarded by WYLDE IA and Bristol MIND.

TRANSPARENCY

INSPECS' vertically-integrated business model – covering design, manufacturing and distribution – makes it one of only a few eyewear companies capable of offering a 'one-stop shop' solution to global retail chains.

Owning manufacturing sites across Europe and Asia ensures that INSPECS has high levels of traceability through the supply chain and is able to maintain quality control to industry benchmark standards. The Group's sites are subject to regular audits by its global retail customers and licensors.

Above: Sales team training day at Kelso Place, Bath.
Below: Filming for the GREAT Festival of Innovation in Hong Kong. INSPECS was chosen by HSBC to represent the best in UK innovation companies.

"I'm General Manager at Neo Optical Factory located in Vietnam planning and overseeing production, increasing staff productivity, improving factory services, and looking after our relationships with staff, suppliers and customers.

INSPECS has a dynamic, creative and talented team around the world. I like so much the entrepreneurial culture built by INSPECS – it is a world-class team guided by a spirit of innovation, creativity and cooperation. In my experience this company leads on product design and the production of high-quality frames made by skilled workers.

With the strong support of the Neo/Torkai team and INSPECS, I was proud to increase Neo Factory's performance by 30% in 2019 compared to 2018.

The end of a good day for me is when we have collaborated well and the team is motivated and ready for tomorrow's new challenges."

Ha Bui General Manager, INSPECS Vietnam factory

EXPERTISE IN PROCESS

INSPECS' distribution spans a global footprint via regional distributor partners, wholesale and retail channels including the optical market, luxury boutique and department stores, shop in shops, e-commerce and travel retail. Investing in digital B2B channels will allow us to improve the customer experience for our global clients.

4.5 billion people need vision correction and currently don't have corrective eyewear. Every person on the planet needs eye protection from the sun. We are committed to exploring the use of new materials, techniques and production methods to minimise the impact of eyewear production on our planet.

Innovation is at the heart of our expertise. The Group's Scandinavian-born CEO believes that everyone deserves access to good design – and this means finding new ways to bring stylish design at affordable prices.

INSPECS holds patents for many original and useful eyewear innovations. In-house prototyping and tool-making facilities allow the Group to deliver solutions for the future of eyewear, today.

"I just wanted to thank you for your partnership. We have gotten glowing reviews from the clubs – you had everything exactly how we asked! Your collections have been one of the easiest, by far, to receive in. I truly appreciate you all for helping make our club associates and our lives easier to better serve our members.

THANK YOU!!!!!!"

Kara Russow Optical Frame Merchant, Cat 88, Sam's Club

"INSPECS delivered one of the big mainstream brands into us very efficiently. No hiccups, no issues – everything we wanted; exactly like the big three Italian suppliers, they delivered it, spot on."

Kerry Pullin Director of Global Product Development - Frames, Specsavers

DEDICATED CUSTOMER SUPPORT TEAM

- CATEGORY MANAGEMENT
- LOGISTICS/OPERATIONS UK, USA, HK
- FOCUSED PRODUCT DESIGN AND DEVELOPMENT
- QUALITY ASSURANCE
- VISUAL MERCHANDISING SUPPORT
- MARKETING
- BRAND LIAISON

INSPECS ANNUAL REPORT & ACCOUNTS 2019

STRATEGIC REPORT

STRATEGIC REPORT

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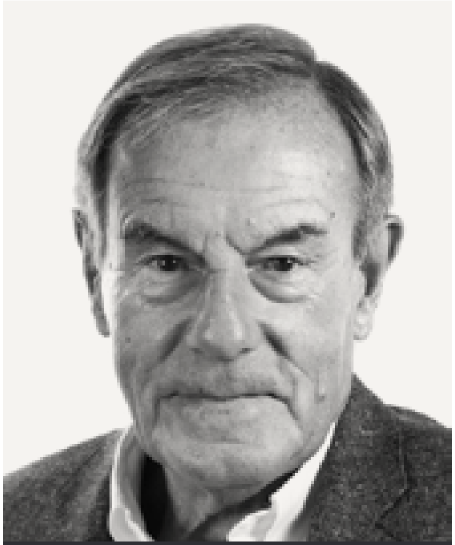
During 2019 the Group continued to grow its operations around the world.

THE LORD MACLAURIN OF KNEBWORTH

Chairman



OVERVIEW

During 2019 the Group continued to grow its operations around the world. The Group has continued to use its vertically integrated model and substantially increased its own internal manufacturing from 3.80 million frames to 4.55 million frames, an increase of 19.7%.

The Group has continued to seek new distribution and now operates in over 80 countries and has access to over 30,000 optical outlets, cementing its position as a global eyewear group capable of delivering eyewear solutions to global chains.

INSPECS IPO day, 27 February 2020

Left to Right: Richard Peck, Chris Kay, Lord MacLaurin, Robin Totterman, Christopher Hancock.

"The heart of any company is the people that work in it.

Our Company has amazing people. They are the heartbeat of this Company, and we're well set up now with a strong founder-led Board and an excellent management team to face all the challenges that now lie ahead of us as a plc."

The Lord MacLaurin of Knebworth
Chairman

RESULTS

The Group achieved a pleasing result in FY19 with a revenue increase of 6.9% to $61.25m from $57.30m in 2018. Strong control of costs meant that operating margins improved with underlying EBITDA increasing by $1.12m to $12.99m, an increase of 9.4%.

STRATEGY

The growth strategy remains the same with continued integration of production and utilising the technical expertise of its manufacturing sites to offer a one-stop solution on both branded and OEM eyewear products to the global chains. The Group will continue to search for strategic acquisitions and partnerships at the appropriate time.

PEOPLE

The heart of any company is the people that work in it. I've been a Director of many companies and I've always spent time with the staff. Our Company has amazing people. They are the heartbeat of this Company, and we're well set up now with a strong founder-led Board and an excellent management team to face all the challenges that now lie ahead of us as a plc. I am particularly impressed with the way that all employees across the globe in multiple time zones and many different languages and cultures are united in their daily efforts to improve the Group and move it forward.

DIVIDEND

Due to the economic landscape the Group will not be recommending a dividend at this time but will keep this under review.

OUTLOOK

I would like to welcome all new shareholders to the Group. Having completed the major acquisition of its manufacturing facilities on the 9 February 2017, in just over three years the Group has now successfully been admitted to the AIM market. It is unfortunate that the current economic landscape has been disrupted by COVID-19 and the Group has taken strenuous efforts to ensure the safety of all its employees and facilities as a priority. The pace at which the executive team has delivered over the last two years will, I am sure, continue once the uncertain business environment becomes clearer.

The Lord MacLaurin of Knebworth
Chairman
12 May 2020

The Group has continued to gain strength, meaning we are well-positioned for growth in most of our markets.

ROBIN TOTTERMAN

Founder and Chief Executive Officer

This has been a year of significant progress for the Group. Revenue grew by 6.9% from $57.30m to $61.25m and the underlying EBITDA grew by 9.4% from $11.87m to $12.99m. We further refined our business model and all channels achieved growth, whilst a focus on cost efficiency resulted in an improved EBITDA margin.

I would like to thank the whole team for their enthusiasm and tireless commitment, without which these results would not have been possible.

On the 27th February 2020 the Group was admitted to the AIM market and I am delighted to welcome all new shareholders to the Group. Clearly at the date of this report the eyewear industry is facing economic challenges as a result of COVID-19. However, with the successful launch on AIM, the Group is well positioned to look for future growth opportunities as they arise and has a strong balance sheet to weather the economic turbulence.

"I would like to thank the whole team for their enthusiasm and tireless commitment, without which these results would not have been possible."

Robin Totterman
Founder and Chief Executive Officer

SALES CHANNEL REVIEW

Our vertically integrated model continues to work well: each channel supports the others.

The Group continues to expand its presence in the optical market and new customers are drawn to our one-stop vertically integrated model that allows us to supply both branded and OEM optical products to global chains. The continued expansion of Vietnam allows further products to be supplied tariff-free into the Americas and diversify risk for many global chains as part of their ongoing supply chain review. Whilst the Group is not the biggest in the industry, we are now positioned to offer a complete diverse eyewear solution to global chains.

MANUFACTURING INVESTMENT

The Group has continued to invest in its manufacturing capabilities. Our factory in Vietnam has been expanded from 4,300 square metres to 8,800 square metres enabling capacity to grow from 3.2 million frames produced in 2019 to circa 7 million frames in the future. Despite some delays caused by COVID-19 the expansion is nearing completion and production should start around the end of Q2 of 2020. The local workforce is highly motivated by this expansion and the investment in new machinery.

We continue to invest in automated machinery in China to keep the employee numbers at around the same level but expand capacity. The demand for high quality titanium frames continues.

The Chinese factory is also the source of technical expertise with over 20 years of manufacturing knowledge that has allowed the Group to develop in Vietnam and I am grateful for the technical skills that they bring to the Group as whole.

The Group has started to produce frames in its new Cadore factory in Italy which will form part of the Group's high-end market offering.

Acquisitions

The Group continues to actively engage in potential expansion via acquisitions. However due to the current economic situation as a result of COVID-19 the timing of potential acquisitions may be delayed until the market picture becomes clearer.

Appointments

I am pleased to report that we have hired several exceptional individuals to the Company. As a NED, Richard Peck, formerly Managing Director of Luxottica retail, brings us an insight from the largest player in the industry and over 30 years optical retail expertise.

Steve Tulba, formerly MD of Mondottica and a Board member of the Vision Council of America, joins as our Chief Commercial Officer and Martin Bates joins us from Luxottica via Marcolin as our Sales Director.

We are delighted to welcome Angela Farrugia, founder of The Licensing Company, subsequently acquired by the Li & Fung conglomerate, who joins the Board as a NED. Her expertise of marketing and brand licensing will be invaluable.

Current outlook

In light of the current situation, we have decided not to pay a dividend until the full effects of the pandemic on the business are known.

The Executive Directors have taken a 60% cut to their salaries, and we have implemented a four-day week with a 20% cut in salaries across UK and USA locations until further notice.

Our factories in China and Vietnam are almost back to full production capacity, although most of our customers have been forced to close during the lockdown. Opticians were among the first to be closed due to the close proximity to their customers. Shipping to key accounts is proving to be a challenge, as their distribution centres are currently closed.

Although our factories are continuing to produce existing orders received in the early part of the year, the continued lack of sales by our locked-down retail customers means that stock levels remain static, and requests for delays in delivering stock are more frequent.

Where we can ship stock by sea, we do so, as it saves cost and adds four weeks to the lead time which will help phase in the new collections at an appropriate time for the market.

We expect a very active Q4 and possibly Q3 when the effects of the virus on the industry will be clearer. People will still need vision correction, and the likelihood is that there will be greater demand from more value-driven retailers, which encompasses our main key accounts.

Our design teams in the UK, Portugal and HK continue to produce new designs, which are being prototyped in time for the recovery. Many companies in our sector are simply delaying the seasons, but we have taken the decision to power though with new collections appropriate to the seasons to come including several value house brands.

We have managed to engage with a number of large new customers, who are planning to utilise our Vietnam factory for their 2021 collections. If this comes to fruition, we should see continued expansion of the Group in the future once the macro economic situation has returned to previous levels. This would mean that we would be well on track to double production in Vietnam, as well as increasing specialist titanium production in our Chinese facility.

Our focus has always been on being good to deal with, and remaining flexible, and during the early part of 2020 we have focused on supporting our clients and supply chain. It is our normal mode to constantly consider our costs, and we have further cut expenses where it is sensible to do so, to preserve cash and galvanise our resilience during a difficult time for the industry and wider economy. It is my belief that companies who stick to their core values and really live them throughout this crisis will emerge leaner, more efficient, and well-trusted by their customers.

Robin Totterman
Chief Executive Officer
12 May 2020

A GLOBAL PRESENCE

GLOBAL DISTRIBUTION

INSPECS has a global distribution network reaching over 80 countries and approximately 30,000 global points of sale. The Group's customers include global optical retailers (including Specsavers, National Vision and Grand Vision), global non-optical retailers (including TK Maxx, Costco, Superdry retail outlets), independent opticians, web-based retailers (including GlassesUSA.com), as well as global distributors of eyewear (including Bode and Vistan Brillen).

80+
COUNTRIES OF DISTRIBUTION

4
MANUFACTURING SITES

1200
GLOBAL WORKFORCE

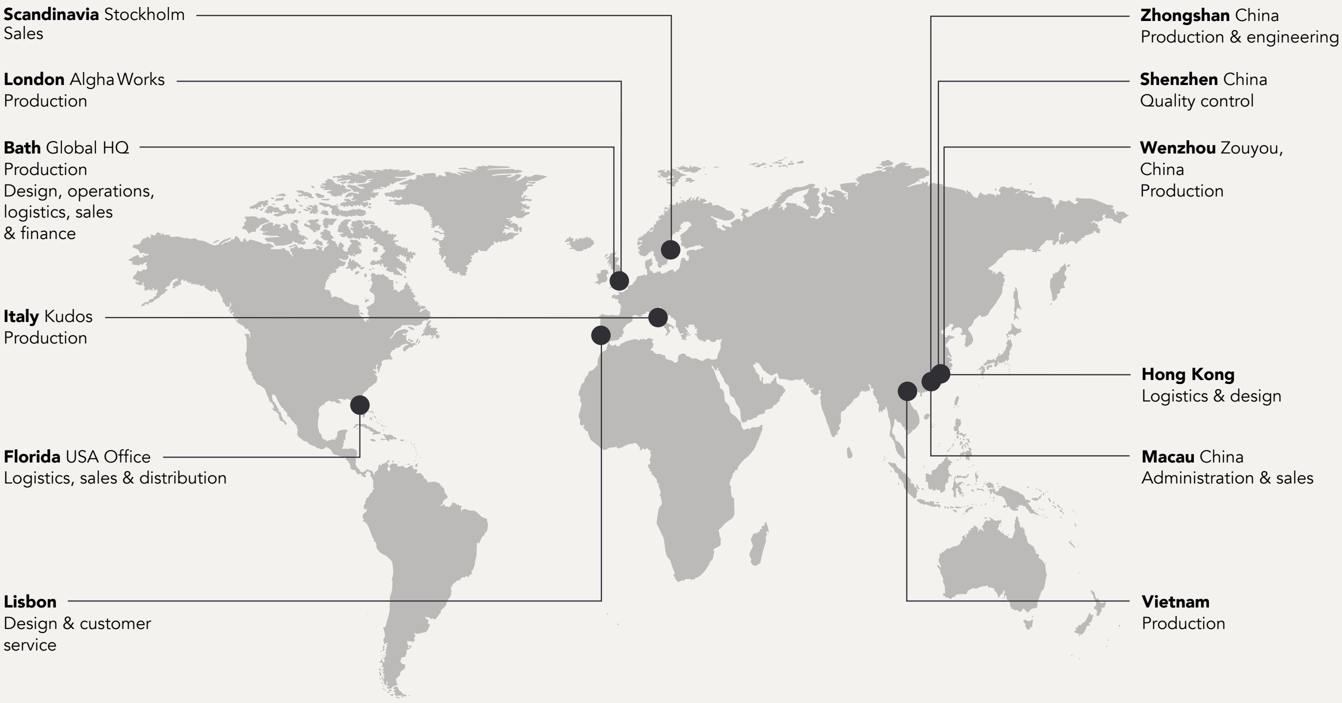
30k
GLOBAL POINTS OF SALE

OUR GLOBAL OFFICES

Left: INSPECS Group, Lisbon, Portugal
Centre: INSPECS Group Neo Factory, Vietnam
Right: INSPECS Group Neo Factory, Vietnam

The Group has four manufacturing sites in Vietnam, China, London and Italy, and a global workforce of around 1200 staff.

GEOGRAPHIC FOOTPRINT



PIONEERING, GLOBAL AND RESPONSIBLE

INSPECS manufacturing arm is a pioneer of the eyewear industry with 40 years' experience in OEM, design and technological products for the largest optical retailers, brands and distributors in the world.

ADVANCED ENGINEERING

A team of 50+ engineers and technicians from multi-national backgrounds are dedicated to being first to market with new innovations. In-house prototyping and tool-making facilities help them deliver solutions for the future of eyewear.

TRACK RECORD

Two well-established factories in China and Vietnam are managed by an international team with a workforce of over 1000. In China, the Group's state-of-the-art factory produces high-end frames using premium materials and innovative patented techniques. In-house plating and colouring facilities as well as industry-accredited testing ensure 100% traceability and confidence. In Vietnam, a new production plant provides a value-for-money alternative to Chinese manufacture and benefits from a much shorter New Year closure and reduced import duties compared to the Chinese manufacturing model. Luxury manufacturing in London, UK and Cadore, Italy completes the offer.

WE OWN THE SUPPLY CHAIN

- Full traceability
- Industry-leading frame manufacture and innovation at highly competitive prices
- 1000+ staff in Asia
- Proven track record in opening factories
- Proven track record in supplying the major global optical retailers
- In-house plating facility
- In-house product QA and testing facility to industry benchmark standards

50+

ENGINEERS AND TECHNICIANS

4

FACTORIES IN VIETNAM, CHINA, UK AND ITALY

Manufacturing in our Torkai Optical Factory in China

MANUFACTURING CASE STUDY

DEVELOPMENT IN ASIA
INSPECS VIETNAM PLANT

INSPECS are currently building a new phase of the Vietnam plant taking the current 4300m² area to 8800m² by adding three further floors plus a basement for parking. It will:

- Take capacity from 3.2m frames p.a. to circa 7m (end 2020)
- Grow our staff from the current 500 to an 800+ strong team
- Increase injection capacity
- Increase metal and titanium capacity
- Reduce our carbon footprint (solar energy forms part of the development plan from 2021)

+60%

GROW OUR STAFF FROM THE CURRENT **500** TO A **800+ STRONG TEAM**

3M 7M

+133%

TAKE CAPACITY FROM **3M+** FRAMES P.A. TO **7M**

INSPECS VIETNAM EXPANSION

Interior (top) and exterior (bottom) of new production facility in Vietnam.

GROWTH AND RE-INVESTMENT **TO BENEFIT INVESTORS, CUSTOMERS, SUPPLIERS AND STAFF**

WE BELIEVE THAT OUR GROWTH AND RE-INVESTMENT CAN BENEFIT ALL OF INSPECS' STAKEHOLDERS – INVESTORS, CUSTOMERS, SUPPLIERS AND STAFF.

The Group's focus is on delivering a seamless service to all partners from artisanal design and on-brand experience, to transparency and traceability in manufacture and onwards into excellence in supply and distribution.

WE RE-INVEST

We continuously re-invest in our plants, machinery and, above all, people.

WE DELIVER

- Customer satisfaction
- Employee engagement
- Traceable, ethical supply
- Shareholder value

WE DISTRIBUTE

Our distribution centres are in Asia, the UK and the USA. The majority of our products are packaged there and distributed around the globe. Owning the supply chain improves responsiveness and enables high levels of product availability.

> WE LICENSE

We identify brands and technologies with big potential to extend into the optical and wider sunglasses market. Licensing contracts and patents secure our right to produce exclusively, either globally or on a region-specific basis

WE DESIGN

All of our products are developed and designed in-house and are exclusive to the brand. With the goal of being the true sector specialist, we have created a broad product range.

WE MANUFACTURE

We own factories in China, Vietnam, UK and Italy. Each factory specialises in different manufacturing methods and materials producing a range of products from mid to high end. Our extensive knowledge of manufacturing techniques enables us to continuously improve our offering to our key customers around the world.

WE SELL

We reach our customers through an omni-channel model. Our focus is on great service to ensure 100% satisfaction.

DIGITAL CHANNELS

RETAIL & DISTRIBUTOR

BRAND PARTNERS

TRAVEL RETAIL

EVERYTHING WE DO IS GUIDED BY THE THREE BASIC VALUES THAT WE STARTED WITH AND WILL ALWAYS RETAIN

CREATIVITY

READ OUR STORY ON **PAGE 20 TO 21**

END-TO-END EXCELLENCE

READ OUR STORY ON **PAGE 22 TO 23**

PARTNERSHIP

READ OUR STORY ON **PAGE 24 TO 25**

CREATIVIT

Doing things differently is in our DNA. Robin Totterman founded the business in 1988 following the deregulation of the optical market in the UK. His native Scandinavia provided a model and inspiration for good design and optical retailing absent from the UK at that time.

INSPECS has cultivated a world-class and award winning creative team bringing projects to life from the drawing board to the retailer. Our three global creative and innovation hubs in Bath, Lisbon and Hong Kong carefully curate the look and feel of our projects from technical eyewear design to packaging, from new innovations to marketing communications and store fit-outs.

Innovation is at the heart of our expertise. INSPECS holds patents for many original and useful innovations. In-house prototyping and tool-making facilities help us deliver solutions for the future of eyewear, today.

Y

1988

FOUNDED FOLLOWING THE DEREGULATION OF THE OPTICAL MARKET IN THE UK

3

GLOBAL CREATIVE AND INNOVATION HUBS ACROSS THE WORLD

Seamless
BONDED RIMLESS EYEWEAR

INNOVATION CASE STUDY

CLEAR THINKING
BEST IN CLASS

Simply the best in its class – virtually unbreakable, as invisible as it gets and faster to fit and assemble.

A new patented concept in rimless eyewear that removes the need for screws that tend to work loose over time. This unique patented system bonds the frame parts to the lens using a special patented technique – saving time in the glazing lab, reducing returns and eliminating the need for fiddly components.

"Before I joined the Company I worked as a Product Designer in Paris and then in the USA on American brands. I now take care of the INSPECS OEM collections heading up the design team in Lisbon and working with our top factories in China and Vietnam. I also have the opportunity to work on INSPECS global brands in collaboration with great people in UK and Hong Kong, and that is super cool!

A big part of my role is to use my knowledge of technical and industrial eyewear production to bring new ideas to market, working with the factories in China. Recently I had the chance to work on new some patented adjustable wood techniques, and I knew that would become a signature idea for some of our branded collections as well as OEM.

But the best thing about working here at the end of the day is to be able to do what you like with nice people, and this is what I found working with INSPECS."

Herve Jacquier Head of Design, OEM products

FOCUS ON OUR VALUES

END-TO-EN EXCELLEN

We focus on ensuring that we deliver a seamless service to all partners.

Every step of the way from the initial range selection and bespoke design process, through sampling, testing and delivery, Account Managers are on hand to help every project run efficiently. Our highly experienced Account Managers understand the eyewear production process and guide our customers to the best solutions. Customer-centric and design-oriented, we offer a 360-degree service to our partners including an innovative supply chain offer, and a dedicated design service for own-brand requirements.

"My role is to serve our customers, be it a small independent optician or the larger optical chains that keep us busy with high-volume weekly orders.

From the UK through to our European distributors, to the far-flung corners of the world – our aim is simple: to get the goods out as quickly and efficiently as we can, with most UK dispatches being delivered the next day. I'm proud to be part of a team of people who thrive when goals are constantly changing.

When things get busy we ensure that from a single frame pick to a complex packing spec, at the end of the day the benches are clear, and the orders are done. INSPECS will always have that underlying element that some don't see – it's a great place to work."

Steve Adams Distribution Centre Manager

D

CE

360°

SERVICE TO OUR PARTNERS – INNOVATIVE SUPPLY CHAIN OFFER, AND DEDICATED DESIGN SERVICE

EXCELLENCE CASE STUDY

AWARD-WINNING DELIVERING GROWTH

2020

WE WERE AWARDED THE QUEEN'S AWARD FOR INDUSTRY FOR THE SECOND TIME

ISO 9001

IN 2018 WE WERE AWARDED THE ISO ACCREDITATION FOR QUALITY MANAGEMENT SYSTEMS

2019

WE RECEIVED 'THE SUNDAY TIMES PROFIT TRACK 100 ONE'S TO WATCH WINNER' AWARD

12

INDUSTRY AWARDS FOR OUR LICENSING, BUSINESS, CULTURE AND MANUFACTURING QUALITY

PARTNERSHIP

Working in close collaboration with customers, suppliers and brands, INSPECS is often recommended as 'brand partner of choice' by the major optical retailers.

INSPECS HAS A TRACK RECORD IN GROWING LICENSED BRANDS

INSPECS designed and produced its first licensed brands for French Connection/FCUK and Nicole Farhi, and today approximately 45% of the Group's turnover comes from branded eyewear.

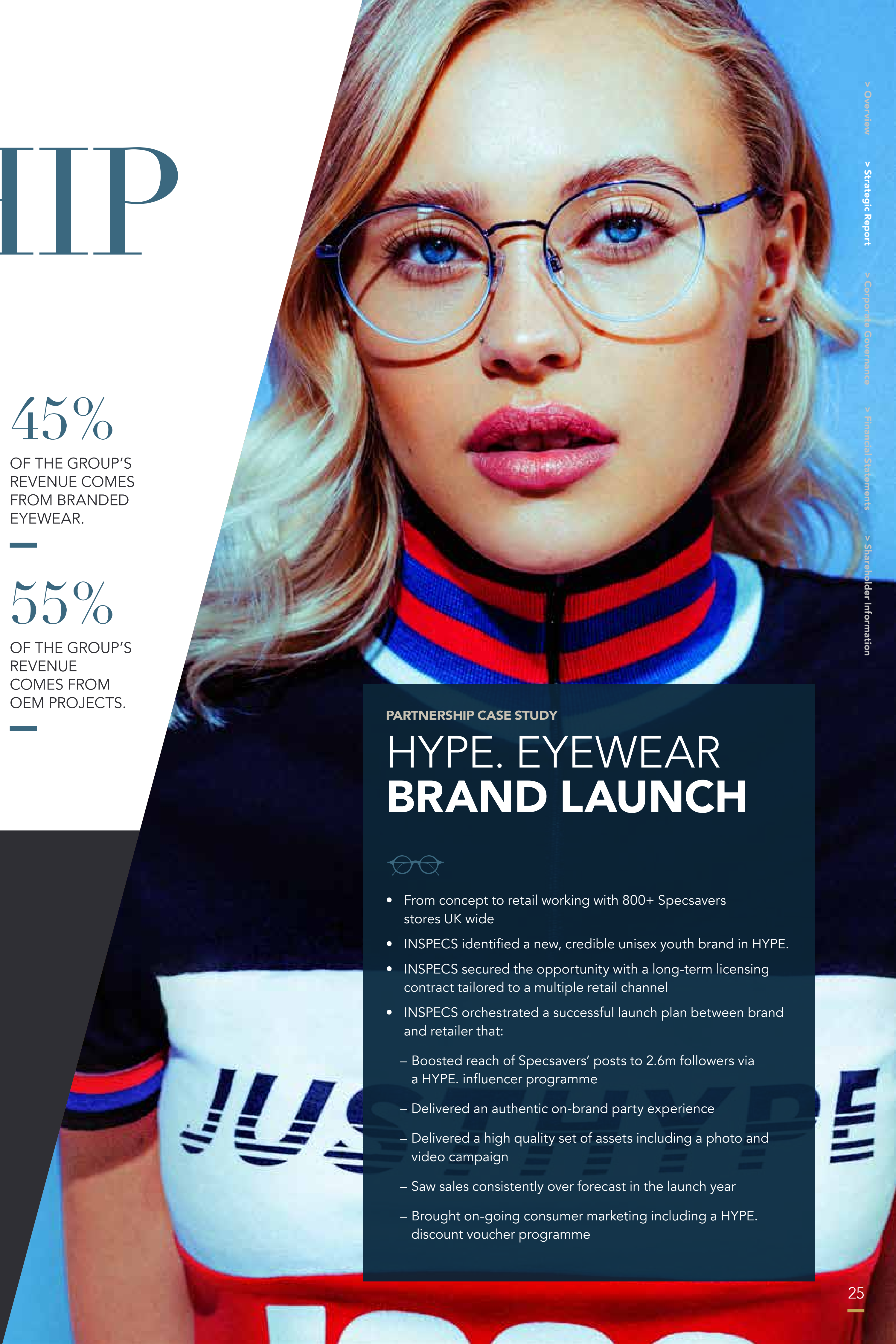
Eyewear is a natural extension for many brands, but specialist technical expertise and production capabilities are essential to bring the product to life.

INSPECS produces eyewear under licence for many leading fashion brands. Each brand project is managed with a customised approach, identifying its DNA and delivering true-to-brand products that our brands are proud to stock within their own retail estate.

Guardianship of the brand runs throughout all our work, from design to commercial, every team exists to achieve a cohesive brand presence and integration across product lines and point of sale.

INSPECS also partners with retail clients to create house eyewear brands, with 55% of the Group's revenue coming from OEM projects.

HIP



45%

OF THE GROUP'S REVENUE COMES FROM BRANDED EYEWEAR.

55%

OF THE GROUP'S REVENUE COMES FROM OEM PROJECTS.

PARTNERSHIP CASE STUDY

HYPE. EYEWEAR **BRAND LAUNCH**

- From concept to retail working with 800+ Specsavers stores UK wide
- INSPECS identified a new, credible unisex youth brand in HYPE.
- INSPECS secured the opportunity with a long-term licensing contract tailored to a multiple retail channel
- INSPECS orchestrated a successful launch plan between brand and retailer that:
  - Boosted reach of Specsavers' posts to 2.6m followers via a HYPE. influencer programme
  - Delivered an authentic on-brand party experience
  - Delivered a high quality set of assets including a photo and video campaign
  - Saw sales consistently over forecast in the launch year
  - Brought on-going consumer marketing including a HYPE. discount voucher programme

A WORLD-CLASS TEAM

"The people who work for the Group love that it is a vibrant, happening place to be. I'm immensely proud of what my team has achieved so far."

Robin Totterman Chief Executive Officer

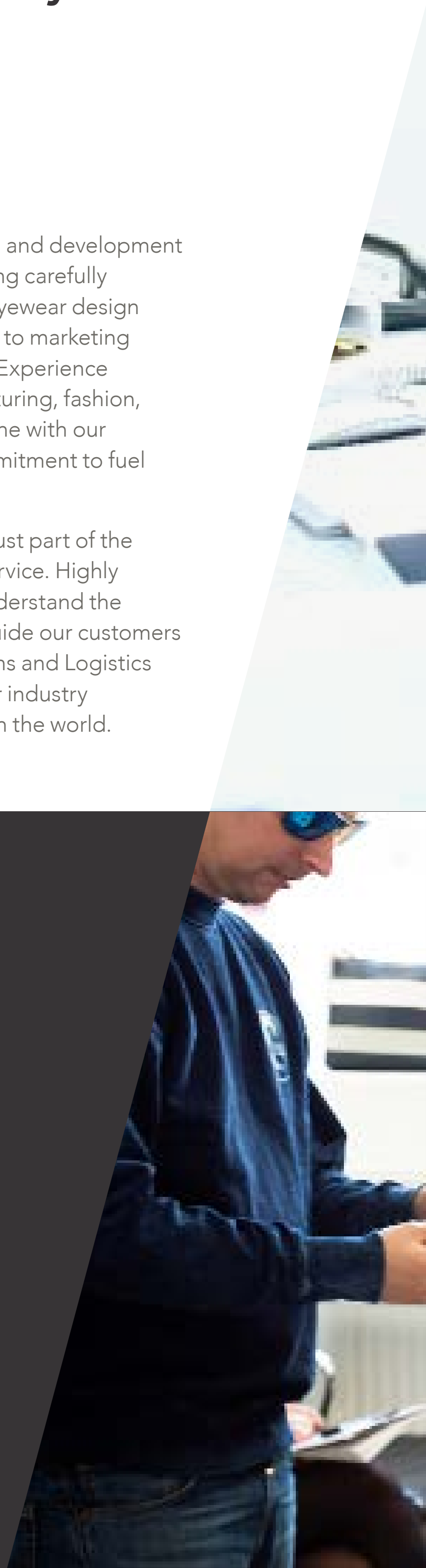
INSPECS has cultivated a world-class team. Across the business it is our aim to exceed expectations, bringing passion and thoroughness to everything we do.

A strong Board heads up the Group with extensive industry and plc experience. Both the CEO and CFO have been involved with the business for over 30 years, whilst the Board members have significant public company, private company and industry experience.

In addition, INSPECS has an experienced and proven operational management team, with previous experience at some of the largest global eyewear companies.

Our award-winning in-house design and development teams in Bath, Lisbon and Hong Kong carefully curate the projects from technical eyewear design to packaging, from new innovations to marketing communications and store fit-outs. Experience from diverse disciplines in manufacturing, fashion, licensing, business and retail combine with our leadership team's passion and commitment to fuel the Group's strong growth.

But design and manufacturing are just part of the Group's 360 degree approach to service. Highly experienced Account Managers understand the eyewear production process and guide our customers to the best solutions. Our Operations and Logistics functions are regularly called out for industry excellence by the biggest retailers in the world.



UNIQUE AND KIND
PART OF A FAMILY

"The best thing about working for INSPECS is feeling like part of a family. Everyone is unique and kind and contributes something different. Following a good design meeting everyone's ideas flow nicely and you feel inspired at the end.

You can really make the job your own at this company, and your opinion feels valued. It's also really exciting to work on such different brands and projects - no two days are the same!"

Laura Fullen Senior Product Developer

WE ACT RESPONSIBLY

The Board has a fiduciary responsibility to our shareholders to maximise the probability of attractive long-term returns. The Board also recognises that the Group's activities must be undertaken with respect for other stakeholder groups that could be impacted, whether positively or negatively, by what we do and decisions we make.

OUR PHILOSOPHY AND APPROACH

In addition to any legal duties, we believe we have further moral duties towards all our stakeholders and consider their needs and expectations and the environments in which we and they operate, before making decisions.

We consider key stakeholder groups and the environment to make the most appropriate decisions.

The Board and management act as the Group's conscience. We are committed to maintaining high standards of business integrity. Our policies, practices and culture promote sound principles of corporate social responsibility and sustainability, guiding the relationships with employees, clients, suppliers and wider communities.

Management of the environmental and social issues that play a part in our businesses is a key factor in the Group's strategy for success, and in the practice of good corporate governance.

OUR STRATEGY & BUSINESS MODEL

Regular engagement with staff ensures that they are kept abreast of the Group's strategic ambitions, initiatives and wider business matters, as appropriate. We invite them to ask questions and keep them up to date with information about progress. Our successes are communicated to all employees and we make sure they receive acknowledgement and thanks for the critical part they play.

When we seek to acquire a business, we are searching for partnerships; businesses to complement ours with a natural cultural fit and a matched outlook in terms of how we behave. We have found time and time again that this approach has served us well and not only accelerates the acquired business's growth, which not only benefits our Group, clients and shareholders, but also supports their communities and local economies.

When welcoming new companies to the Group through acquisition, we remain sensitive to the culture and values of the individuals who join us on the journey. We take care to integrate in a way that creates positive synergy, whilst ensuring that the new addition to the Group retains its own character.

OUR PRINCIPLES

Maintaining the highest standards of integrity across INSPECS is important to us for a whole host of reasons, not least to protect our reputation and the reputation of our closely associated stakeholders. All employees are expected to conduct themselves in an ethical manner in their internal and external dealings, and we expect the same of our business partners and affiliated parties.

- **INTEGRITY**
- **CUSTOMER FOCUS**
- **QUALITY**
- **SOCIAL RESPONSIBILITY**
- **PEOPLE DEVELOPMENT**

We believe in doing business with suppliers, contractors, partners, agents, sales representatives, distributors and consultants who embrace and demonstrate high standards of ethical business behaviour. INSPECS will never knowingly conduct business with any party operating in violation of applicable laws or regulations.

OUR PEOPLE

Recruitment & Induction

The Group currently employs over 1,200 people across the world. The multinational diversity of the Group's workforce not only supports our global service offering but also demonstrates that age, colour, race, gender, disability, ethnic origin, national origin, marital status, sexual orientation, religious or political views are not seen as barriers to employment. Our attitude towards inclusion is also evidenced by the Group's equality, diversity, inclusion and human rights policies and business codes of conduct.

Upon joining INSPECS, employees receive a comprehensive Staff Handbook, access to all policies and an induction across the different departments of the business to help them understand the Group, its culture and history.

Additional HR support is provided by a third-party consultancy which ensures that members of staff have real-time online access to personal information, holiday and sickness records and employee-related documentation, including employment contracts, information relating to their staff benefits, health and wellbeing. The Group policies, which are kept up-to-date and in line with current legislation, are also readily accessible on the portal.

Continual Engagement

The Group is committed to promoting a strong, ethical and values-driven culture throughout the organisation. We continually communicate values that we consider important to success, both ours and our employees' - integrity, professionalism and honesty.

We connect with our people across the Group regularly and communicate information via various means, such as conference calls, video conference, employee forums, social media, weekly press articles relating to INSPECS are sent to staff, strategic and business updates provided by the CEO either in person, via electronic communication or at scheduled staff social events. For smaller groups we do it the old fashioned way and simply pick up the telephone, or meet to discuss the order of the day in relaxed break-out rooms.

It is important the Group listens to its employees and understands their views. There have been several occasions where we have revised our strategy in response to direct staff feedback – their views were valid, and if we had implemented our original plan without consulting widely with all staff, this may have resulted in workforce disengagement and alienation. In turn this may have affected morale, impacting working practices and damaging customer relationships.

We are fortunate to have such engaged staff who are not afraid to let us know what they think and provide input to ensure that we do the right thing.

Our culture is reflected in the actions and behaviour of our employees who understand the importance of leading with the Group's values and personal integrity at the forefront of their minds when carrying out their roles.

Personal & Professional Development

We aim to maintain a working culture where staff are not bound by role descriptions and can develop their skills organically. We enable promotion and encourage transfers across departments or countries; achievement is possible at all levels within every Company across the Group. We have a rare cohort of home-grown talent. A significant number of senior managers have built their careers from within and served INSPECS for over a decade, some for over two decades, and they remain as dedicated and alert to new possibilities as ever.

Working Environment

We strive to provide the best possible working environment for our workforce. Happy staff working in creative, entrepreneurial and stimulating environments deliver outstanding services to our external stakeholders, which is central to our success.

Giving Back

We provide an attractive package of staff benefits, including access to professional support services, pension, share options to eligible employees, free glasses and opportunity to purchase brand products at a significantly discounted price at certain times of the year. Staff are reminded regularly and encouraged to take advantage of these benefits.

As part of our staff and skills retention approach we support employees who require flexible working arrangements, support them in their fundraising endeavours and encourage them to take time out to work within communities that are of interest to them.

Respect for the Individual

The health and wellbeing of our employees is extremely important. Positive attitude and robust mental health are vital if we are to sustain the working environment which brings out the best in our people and allows us to retain their skills and knowledge. We promote a positive health and safety culture throughout the Group and continually seek to improve our processes and practices to ensure a safe and secure workplace for all.

VIETNAM CASE STUDY

Strategic aim:

- Expansion.
- Extend geographical reach.
- Increase manufacturing capabilities to meet future demand.

Required:

- Acquire additional space and plant equipment.

Options:

- Move operations to a larger established facility/site – more cost effective and expedient option;
- Embark on rebuilding current facility – exposes the Group to many project-related risks e.g. funding/liquidity, project management, schedule overrun, interest rate, contractual.

Stakeholder, societal and environmental considerations:

- Group's presence in Vietnam - recognised as one of the region's largest employers and contributors to the local economy.
- Moving the manufacturing operations to another much larger factory elsewhere likely to be more economical but would require remobilisation of all factory workers and their families.
- Impact of displacement on the individual and family members if they relocate.
- Potential loss of staff, should they choose not to relocate.
- Potential inability of staff to secure employment on the same terms or at all, which would jeopardise continuation of their livelihood and affect their health and wellbeing, and their families.

Decision

- People before profit - no appetite to inflict social disruption or displacement upon dedicated staff.
- Take the less commercial but more environmentally and socially supportive option - embark on expansion of current facility, ensure employment longevity and continue to support the local economy that we have helped to build.

CORPORATE RESPONSIBILITY CONTINUED

OUR PRODUCTS, PLANTS & PROCESSES

The Asian arm of our business has been a leader in sustainable eyewear innovations for over 20 years. We have an array of innovative patent or patent -pending products and continue to invest in developing sustainable design options and manufacturing practices.

Eco-friendly and natural eyewear materials include cork and FSC certified wood. Our 'Natura' range is constructed with a material derived from wood pulp and cotton fibre that has been ISO14855 certified for bio-degradability. 'Seamless' is the name of our bonded rim-less eyewear that is virtually unbreakable (qualified via independent testing and factory audits) – perfect for the cost conscious and environmentally aware individual; no need to throw away or recycle.

Our manufacturing facilities in Vietnam are purposely designed to reduce environmental impact using solar panels and water conservation technology. Energy efficiency and waste management programmes include safe recycling of waste materials from our injection manufacturing processes.

Constant improvement in manufacturing is in our DNA. Our design and engineering teams are always working towards continually improving production techniques and processes. The renewed coloration plant, for example, now uses less paint, reducing our impact on the environment with regards to waste, and handled by highly trained employees in a state of the art, safe facility. Similarly, new laser soldering machines in our painting department means less welding material, increased welding accuracy and improved temperature control, resulting in reduced costs, carbon footprint and waste.

As part of our manufacturing sustainability programme waste, such as acetate and metal scrap, is responsibly recycled from both China and Vietnam by vetted third party waste removal vendors – contracts are in place and procedures are established and monitored. SC compliant wood that we use only comes from renewable forests, and the castor oil processes we employ are well documented as sustainable, both in terms of renewability and social impact.

Our 'sustainable materials bible'

Material	Biobased	Biodegradable	Recycled	Recyclable
NATURA bio-acetate (handmade)				
Stainless steel				
Titanium				
Wood				
Cork				
Bamboo				
Mineral Glass				
ECO acrylic sun lens UV400				
ECO Demo lens				

BUSINESS RELATIONSHIPS

Our design, manufacturing and distributing operations are truly global, and having the three distinct but interconnected businesses under sole ownership sets us apart from our peers who do not have manufacturing capabilities, or dedicated in-house designers. Our competitive advantage is enhanced by adding value wherever we can; continued investment in our physical assets, the value-adding skills and expertise of our people, extensive product knowledge, working culture and strong customer service.

We view our clients as partners. Working closely with them at every stage of the design, manufacturing and distribution processes, to ensure that our products meet their requirements and exceeds their expectations, sets us apart. The reputation of our customers is as important to us as our own. Our success in the marketplace is based on the quality of services we provide, the knowledge that our services provide value, and the competence and honesty of our representatives.

The business is responsible for the end-to-end processes and procedures, established to ensure traceable quality control and transparency through the entire process from design to distribution. By providing proprietary end-to-end solutions our customers are relieved of the difficulties often experienced when having to deal with several vendors providing different services within a supply chain at different intervals.

Our business model saves clients' time, effort, resources and money. In turn, the Group benefits from cost and distribution efficiencies, achieved from leverage and scale. Controlling the entire supply chain means we can minimise costs, source the best materials and maintain an infrastructure which can be flexed and changed according to the needs of our clients and customers. They have peace of mind and we have competitive advantage, not being beholden to third-party demands or exposed to unexpected changes within supply chain and market infrastructure.

The Group's global supply and distribution networks have been developed with our clients' needs in mind. In 2019, INSPECS instigated another new approach to distribution. Frames are now held directly at the glazing factories (Hoya) in Thailand, rather than being repatriated to various originating sites. By reducing the number of distribution runs, we have reduced our carbon footprint and provided warehousing facilities to clients. This has been especially beneficial to the major international retail chains, negating the need for them to incur warehousing costs and enabling them to increase their stockholding efficiency, improve inventory management, and avoids increase in their carbon footprint also.

In addition to the range of eco-friendly and sustainable eyewear options referred to above, we are one of the few in the industry to offer our customers biodegradable packaging, assisting them in their drive for sustainability too.

"Waste management, efficiency and renewable sources – reducing energy and our carbon footprint"

OUR POSITIVE WORKING RELATIONSHIPS WITH OTHER THIRD PARTIES

Since ratifying the Paris Climate Change Agreement in 2016, China has implemented some of the most stringent rules and regulations in the world – considered to be approximately 20 times more stringent than European standards. In July 2019 it was reported that China is on track to meet the international climate change targets nine years early.

When we needed to make improvements to ensure compliance with enhanced standards relating to plating and varnishing processes we didn't just comply, we invested heavily to 'future proof' our facilities. The most advanced commercial water treatment systems available were installed, exceeding the manufacturing standards required. Advanced water-saving technology is in operation within both of our manufacturing plants in Vietnam and China.

Independent social audits are carried out several times a year at our factories by local authorities, and additional external auditors carry out stringent audits on behalf of, and provide assurance to, our various customers and their brands. These audits also give comfort to the Board in relation to the Group's legal and regulatory compliance obligations, such as those set out under Modern Slavery Act regulations.

Given the frequency of their visits, we have provided dedicated, permanent spaces and equipment to enable auditors and local authority inspectors to carry out their work at our sites comfortably. We don't just welcome these external, independent parties and respect the work that they do, we consider them as our 'third line of defence' and take on board any feedback on areas where we can improve. You can read more about our 'lines of defence' on page 56.

OUR POLICIES & STANDARDS

Group policies set the standard for all staff and promote our ethical culture of integrity, honesty, trust and respect for others. When policies are revised, or new ones created, we communicate this to staff via email. Our correspondence is clear and comprehensive, providing reasons for changes to, or introduction of, new policies, outlining what the policy seeks to achieve and how, and gives helpful guidance. Staff are always encouraged to ask questions and provide feedback.

Environmental and Social Governance was a key focus for the Group in 2019 and we will be enhancing our 'ESG' frameworks further in 2020. Group governance documents that have been updated or created during the last year to protect our staff, businesses, stakeholders and wider communities include:

- General Data Protection Regulation ('GDPR') Policies
- Privacy Notices
- Share dealing Policy
- Safeguarding Policy
- Disclosure of Information Policy
- Conflicts of Interest Policy

Health & Safety

Health and safety risk management is of paramount importance to the Group. We operate a 'zero tolerance' policy for breaches of health and safety law and regulation. The Group's health and safety policies, practices and procedures are firmly established, in line with regulation and best practice, and provide clear routes for escalation, should the Group's Health & Safety Risk Profile position change at any time.

Despite the controls in place to mitigate the risks, given the potential impact of non-compliance with health and safety laws and regulations, 'Health & Safety' is recorded as a 'standing inherent risk' on the Corporate Risk Register to ensure continued oversight.

The Group's 'first line of defence' carry out health and safety assessments and monitoring as part of the daily routine in regions where the Group has manufacturing operations. More information about our 'lines of defence' risk management framework can be found on page 38.

Health and safety matters are presented as a standing Board agenda item and considered as the first order of business at every meeting. We are pleased to report that there were no health and safety issues reported or unresolved during the period.

Human Rights

We operate a 'zero tolerance' policy in relation to any form of human rights abuse. Following a Group-wide assurance exercise carried out at year end, the Group Governance Compliance & Risk Officer reviewed the Group's policies, including those listed below.

- Anti-Slavery and Human Trafficking Policy
- Anti-Bribery & Anti-Corruption Policy
- Whistleblowing Policy
- Anti-bullying and Anti-harassment Policy
- Equal Opportunities Policy

A number of these human rights policies were updated to reflect changes in law, regulation and best practice and extended to highlight conduct requirements, compliance obligations, penalties for non-compliance, guidance on how to recognise, escalate and report abuses detailed within the policies. The documents were subsequently approved by the Board, the Staff Handbook updated and employee induction programme revised, as appropriate.

Additional bespoke risk management and compliance training programmes are in the process of being devised. Training programmes are to be rolled out across the Group to educate staff further in these matters, and Group practices and procedures will be enhanced further also, to align with the revised policies.

Board-endorsed policies, and the corporate social responsibility standards that are already embedded within our businesses, will continue to play a central role in influencing the Group's practices in the future.

We are mindful of new regulations coming into force over the next 18 months so there will be increased focus on environmental and social governance matters at Board and management level in 2020. We look forward to reporting on our progress and providing additional disclosures within our next Annual Report & Accounts.

172 STATEMENT

Companies with 2019 financial year ends post 1 January 2019 must comply with the new requirement of reporting for the first time on how directors have fulfilled their duty under section 172 of the Companies Act 2006 (the 'Act').

Accordingly, the Company Directors hereby confirm that we have complied with the provisions of the Act and, consistent with the size and complexity of the business, make this declaration in good faith.

We believe that we have acted and made decisions in a way considered most likely to promote the success of the Company for the benefit of its members.

In doing so we duly gave regard to, inter alia:

1. The likely long-term consequences of any decision;
2. The interests of the Company's employees;
3. The need to foster the Company's business relationships with suppliers, customers and others;
4. The impact of the Company's operations on the community and the environment;
5. The Company's desire to maintain a reputation for business conduct of high standard; and
6. The need to act fairly as between members of the Company.

The ways in which the Board has fulfilled its duties is detailed below in table format for ease of reference. This provides a comprehensive summary of the Board's strategic aims, decision-making process, key stakeholders of the Company whom the Board duly considered and engaged with, and final decisions made by the Board having considered the same. Stakeholder benefits of each decision are also provided within the table below.

Further information which demonstrates how the Directors have fulfilled their duties can be found within the Strategic Report and Director's Report, particularly within the Corporate Governance Statement on pages 50 and 51 and 'We Act Responsibly' section, found on page 28.

BOARD STRATEGY	DECISION MAKING/OUTCOME	STAKEHOLDERS CONSIDERED
Strategic expansion in Asia	When deliberating and reviewing potential options, the Board considered the impact on the local community in Vietnam, and potential disruption and displacement of loyal workers if manufacturing activities were moved to a larger factory. The Group embarked upon extending its current facility instead, retaining the trust engendered since acquiring the Killine Group and benefitting our key stakeholders: • Benefit to staff – retain livelihood and social stability, no risk of demobilisation, displacement or negative community impact, staff feel valued. • Benefit to customers – increased footprint and engineering capacity to meet future demand. • Benefit to investors – increasing capacity for growth and extension of facility in Vietnam, value gained through advantageous fiscal policy, and tipped to be the fastest growing economy post COVID-19 and no tariffs, unlike China. • Environment – state of the art facilities and waste management programme, technologically advanced water treatment installed, vertical construction creating additional floor space without increasing physical footprint.	
Capital investment and sustainability	Significant expenditure has been deployed to provide state of the art facilities in Vietnam, future-proofing our capabilities and doubling our manufacturing capacity. Our decisions have delivered business growth opportunity for the benefit of shareholders and employment opportunity for the benefit of the local community. Further stakeholder advantages include: • Benefit to staff – superlative working environment, improved precision engineering capabilities, reduced wastage. • Benefit to customers – increased ability to scale up manufacturing and product offerings and retain the same highly skilled staff. • Benefit to investors – adding tangible value (reduced operating costs - less wastage, improved manufacturing efficiency, write down/end of life) and intangible value (improving sustainability is value-add, social and environmental benefits). • Environment – waste reduction and waste management programme established, advanced water treatment technology, improved infrastructure, safety and efficiency, reducing our carbon footprint.	

KEY TO STAKEHOLDER GROUPS:

Investors | Customers | Suppliers | Staff | Environmental

BOARD STRATEGY	DECISION MAKING / OUTCOME	STAKEHOLDERS CONSIDERED
Acquisitive growth	Acquiring the factory in Cador, Italy, increases market share and allows us to diversify further; moving from mid-value to higher end product offering and expanding our portfolio of materials. • Benefit to customers – increased product offering and price points to move into luxury market with higher margins, whilst keeping true to INSPECS' original vision – everyone deserves well-designed eyewear at an affordable price. • Benefit to shareholders – Group is geographically and commercially diversified, reducing risk of reliance and improving potential for increased shareholder value.	
Digital transformation – automated manufacturing and distribution system	We implemented the Amalfi platform across the Group to streamline process, provide 'real time' tracking and traceability of orders and distribution and improve Head Office oversight, monitoring and reporting capability. • Benefit to staff – from manual to automated system, reduced risk of input error, improved integrity of data, processing time, oversight, reporting capability and provides audit trail, increasing level of control and monitoring. • Benefit to customers – complete traceability, supply chain management and delivery assurance. • Benefit to investors – increased potential to secure 'customer lifetime value'. • Benefit to suppliers – visibility within omni-channel framework. • Environment – reduction in carbon footprint; no paper, no pens, no plastic, no wastage, no transportation to office or onward to landfill.	
Digital transformation – e-commerce and marketing	Initiating an adaptive strategic plan to move further into e-commerce and 'business 2 business' space has a variety of advantages for us and our key stakeholders: • Benefit to customers – increase omni-channel capabilities, adapting to customer lifestyles and expectations. • Benefit to investors – maintain competitive advantage of being nimble and CAPEX prudent; able to supply products worth $1bn p/a without the need for capital intensive retail operating model. • Environment – e-commerce means no retail stores to heat, light, clean and no staff commuting to/from, therefore less impact on the environment.	

BRITISH DESIGN. SPIRIT OF JAPAN
The Superdry brand is known for superior quality. Our sunglasses and optical frames for Superdry tap into the latest eyewear trends.

KEY PERFORMANCE INDICATORS

The Group KPIs have been selected based on the successful delivery of the strategy and are monitored by the Board on a regular basis.

TURNOVER

+6.9% ⇧

$61.25m

2018: $57.30m

GROSS PROFIT

+6.3% ⇧

$27.54m

2018: $25.90m

GROSS PROFIT %

–0.2% ⇩

45.0%

2018: 45.2%

UNDERLYING EBITDA

+9.4% ⇧

$12.99m

2018: $11.87m

NET CASH FROM OPERATING ACTIVITIES

+140% ⇧

$10.59m

2018: $4.41m

FRAMES MANUFACTURED

+19.7% ⇧

4.55m

2018: 3.80m

NET CURRENT ASSETS

+604% ⇧

$3.73m

2018: $0.53m

FULLY DILUTED EPS

+82% ⇧

$14.80c

2018: $8.14c

The Group has performed well in 2019 with increased sales, increased margins and good cost control, resulting in improved profitability for the Group.

CHRIS KAY

Chief Financial Officer

Headline numbers	2019 $000	2018 $000
Revenue	61,247	57,295
Gross Profit	27,536	25,900
Operating expenses	(14,549)	(14,033)
Underlying EBITDA	12,987	11,867
Operating Profit after adjustment for movement in Derivative	10,810	6,146
Net finance costs	1,365	1,392
Profit/Loss before Tax	7,347	3,625

Balance Sheet	2019 $000	2018 $000
Non-Current assets	43,191	41,743
Net Current assets	3,725	534
Long Term Loans	(12,651)	(16,677)
Other non-current	(2,917)	(2,886)
Net Assets	31,348	22,714

"A solid performance for the year with Underlying EBITDA up 9.4% and a significant strengthening of the Balance sheet at 31 December 2019 together with significant capital expenditure on our new Vietnam production facility."

Chris Kay
Group Chief Financial Officer

REVENUE
Revenue grew by 6.9% during the year, an increase of $4.0m.

GROSS MARGIN
The Group saw a slight fall in its gross margin from 45.2% to 45.0% during the year.

NET OPERATING EXPENSES
The Group enlisted the assistance and expertise of further personnel to ensure the Group would complete the strategic aim of listing on AIM market of the London Stock Exchange. Consequently, net operating expenses increased by $0.5m during the year, an increase of 3.7%.

UNDERLYING EBITDA
The Group targets Underlying EBITDA as a primary KPI and during the year this increased by $1.1m, an increase of 9.4% despite revenue growth of 6.9%.

IPO COSTS
The Group incurred costs relating to Initial Public Offering of $2.8m.

FINANCE EXPENSES
The Group had a loan facility with HSBC which has now been replaced with a multi-currency revolving credit facility in February 2020. As at the date of this report the Group has drawn down $17m of the new facility and has undrawn headroom of $8m available.

TAXATION
The effective rate across the Group for 2019 was 12% and for 2018 it was 3%.

CASH POSITION
The Group strengthened its cash position at the end of the year with cash increasing from $2.8m to $6.5m, an increase of $3.7m.

LONG TERM BORROWINGS.
The Group's long term borrowings fell by $4.0m from $16.7m to $12.7m as at 31 December 2019.

NET CURRENT ASSETS
The Group's net current assets increased by $3.2m from $0.5m to $3.7m.

WORKING CAPITAL.
The Group's working capital improved during the year with inventory as a percentage of revenue decreasing from 18.8% to 14.2%.

The Group's ratio of current assets to current liabilities improved from 1.02 to 1.15, an increase of 13%.

EARNINGS PER SHARE
The Group's basic earnings per share increased from $8.90 to $16.38, an increase of 84%. On a fully diluted basis the increase was from $8.14 to $14.80, an increase of 82%.

Chris Kay
Group Chief Financial Officer
12 May 2020

FINANCIAL HIGHLIGHTS

GROUP REVENUE
$61.25m
2018: $57.30m

UNDERLYING EBITDA
$12.99m
2018: $11.87m

PROFIT BEFORE TAX
$7.35m
2018: $3.63m

DILUTED EARNINGS PER SHARE
$14.80c
2018: $8.14c

GROUP NET ASSETS
$3.73m
2018: $0.53m

SEE OUR FINANCIAL STATEMENTS
PAGES 80

RISK MANAGEMENT

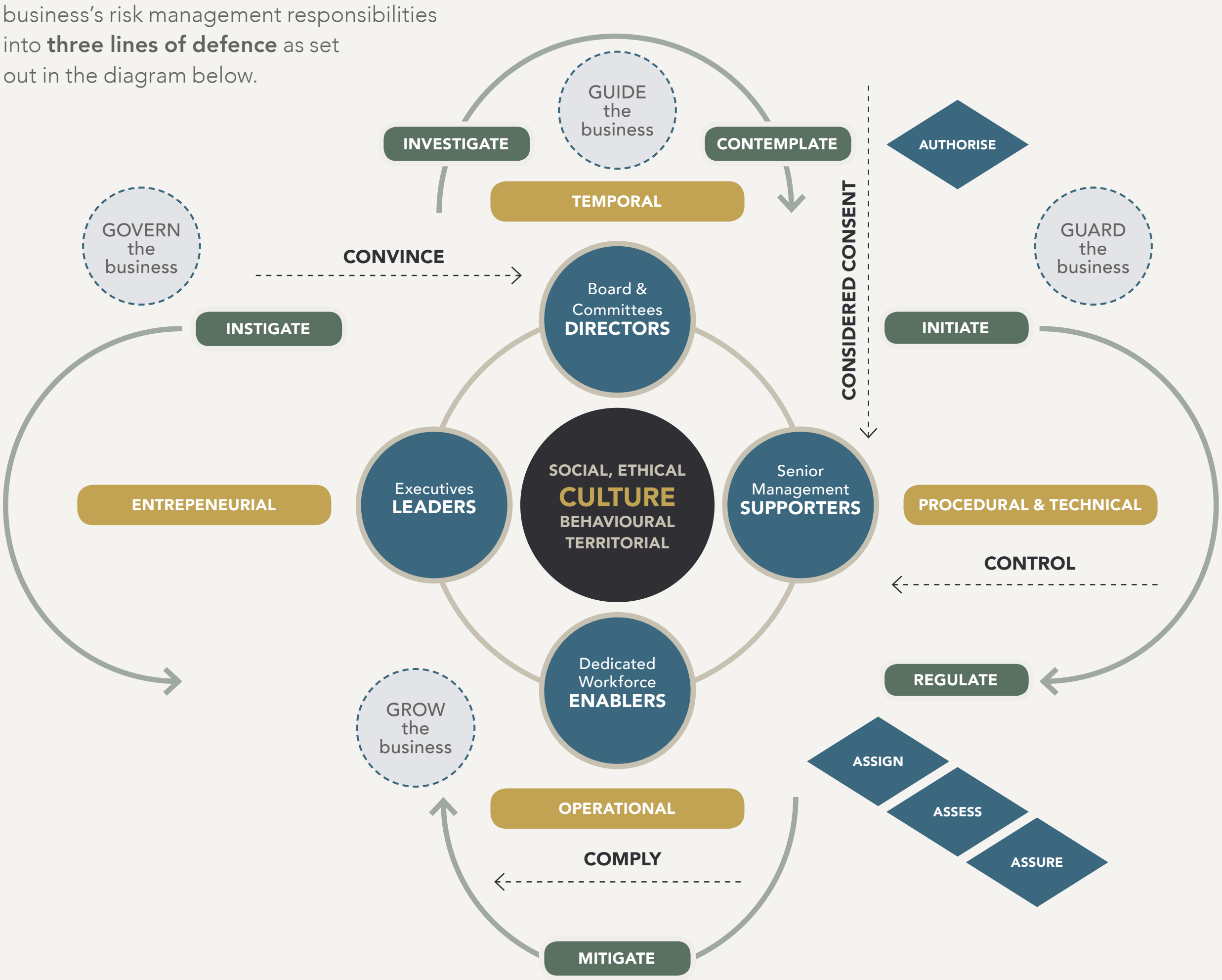
Frameworks are ineffective without the right culture: ours is recognised by our stakeholders, as a number of independent reports received from external assurance specialists testify.

The Group promotes a culture of integrity, honesty, trust and respect. We are proud of our committed workforce who embrace our vision as a collective and, through established practices, procedures and ethical behaviours, form the bedrock of effective risk management.

Our policies are not just documents, they are our pledges and we live by 'everyone is equal'. This means we have a unique cultural cohesiveness across the entire Group and our staff at every level embrace and support the strategic vision because they are empowered to make the right choices. We provide a high level of autonomy and they provide expertise and drive. The accolade of 'happiest workplace' that we were awarded for 2019, by Bristol MIND and Wylde IA, is testimony to our staff.

RISK MANAGEMENT MODEL & INTERNAL CONTROLS

A risk management model that separates the business's risk management responsibilities into **three lines of defence** as set out in the diagram below.



The Board considers the risks and uncertainties detailed below to be of particular relevance, having the potential to materially affect our business, either favourably or unfavourably, but this is by no means an exhaustive list.

Those risks which have been stress tested under probable scenarios and subsequently deemed unlikely to have a material effect on the Group are omitted. This would apply, for example, where there is a narrow span of control and effective risk mitigation strategies have been deployed, thereby reducing the risk to an acceptable residual level. Some risks may be unknown to us at present, and there are some risks that we currently regard as immaterial at present, and have therefore not included here, but may become material in the future.

KEY TO RISK IMPACT: IN **Income** LQ **Liquidity** LT **Litigation** BR **Business relationships**

Risk category/ sub-category	What is the risk?	Risk Appetite, Risk Treatment and Risk Management
Legal & Regulatory Compliance – Occupational and Environmental Health & Safety LT	Our greatest assets are our workforce and our reputation. A breach of occupational or environmental health and safety laws or regulations could result in significant legal and financial costs, and reputational ramifications; publicised conduct failure leading to public and/or regulatory censure, loss of stakeholder confidence. Equally, our employees may breach the common law duty of breach of care and, as the employer, the Group would also be accountable for employee actions or inactions. A serious accident or fatality occurring at one of our workspaces is anathema and would likely impact the morale of our workforce, potentially affecting our ability to meet our strategic aims and performance objectives, as well as our ability to retain current, and attract future, staff.	**RISK APPETITE** ZERO – the Board has always maintained a zero tolerance policy in relation to health and safety risk within our control, and aims to go beyond statutory requirements where possible if doing so further decreases the likelihood and potential impact of a health & safety risk materialising. **REDUCE & MITIGATE THE RISK:** Governance • The safety of our people, customers and visitors to our sites is paramount; Health & Safety is continually monitored and reported across the Group. • Keeping our staff and businesses safe from harm is our primary priority, hence the first business agenda item at every Board meeting is Group Health & Safety. The Board's recently established sub-committees will also take on health and safety risk management-related responsibilities, in line with the scope of their remit, strengthening oversight, monitoring and reporting even further. • Health & Safety policies are reviewed regularly. External independent audits are carried out regularly each month within our manufacturing facilities on behalf of our customers. Health & Safety is the primary focus of external audits and the reports we subsequently receive provide Board assurance. • Health & safety procedures are part of daily routine; established, robust and effective. • We are ISO 9000:2005 certified and operate a Quality Management System to support consistent achievement of quality, safety and operational and manufacturing objectives. Maintaining certified status is subject to annual independent audit, which we succeeded in passing again in October 2019. Environment and Mental Health • We care about the working environment of our staff. Our manufacturing facilities are state of the art and offices are designed to foster collaboration and engagement, being open plan with break out spaces, and reflect INSPECS' innovative and dynamic culture. • Group HR representatives are supported by an external professional services provider to ensure that the Group's policies and practices remain in line with current law, regulation and best practice. • We have a suite of policies and Staff Handbooks that not only informs but also serves to support and guide our employees, covering all aspects of human rights, safeguarding, health and wellbeing. We provide staff with flexible working opportunities and recently updated our home-working policy in light of the COVID-19 pandemic. • All staff have access to external support and independent advice which covers a range of subjects, from legal advice or tax advice, to mental health and fitness. • Staff receive inductions and refresher training when needed. • All staff are appropriately qualified, trained and supported. **SHARE THE RISK** • We ensure that the Group has appropriate insurances in place and policy cover reviewed at least annually. • Our staff are aware of their duty of care and responsibility to protect both themselves and others from harm. • Independent auditors also have a duty of care and take responsibility for providing assurances to their client. We consider third party audits as part of our 'third line of defence'. You can read more about our risk management framework and 'lines of defence' on pages 38 and 56.

Risk category/ sub-category	What is the risk?	Risk Appetite, Risk Treatment and Risk Management
Economic and political risk IN LQ BR	A downturn in the macro-economy may reduce consumer demand generally. Costs may be increased by changes to government policy, including tax changes or other legislation.	**RISK APPETITE** Economic and political factors are beyond the Group's direct control so we must accept the risk but ensure that our appetite for effective risk management remains high. **REDUCE & MITIGATE THE RISK:** • The Board seeks to ensure the brand retains its position as affordable luxury in order to appeal to a broad range of consumers and at price points that are attractive. • We maintain a strong reputation for value for money which offer resilience in a more competitive consumer spending environment. • Ongoing focus on cost efficiency assists in mitigating individual cost increases. • We ensure that our products meet all regulatory standards and that customers fully understand what they are purchasing from us. • We mitigate risks by agreeing policies and minimum standards. The Group's internal control frameworks are supplemented with regular reviews by external experts. • Due to COVID-19 there has been increased macro-economic uncertainty and the impact of the pandemic has been far reaching, causing global commercial and social disruption. Trading since period-end has been impacted, though not to the same degree as counterparts in the market.
Loss of key staff BR	Loss of key personnel could impact the Group's ability to implement strategy and the intended pace of growth.	**RISK APPETITE** We have a low risk appetite for loss of key staff and staff retention initiatives are considered by the Directors as part of strategic discussions. **REDUCE & MITIGATE THE RISK:** Engagement: • A vertically integrated culture and flat hierarchy aids our culture of inclusion where everyone is invited to have their say. We have an open floor policy, not just open-door policy. • Regular communications from executives and senior management to staff across the Group. • Support staff in their charitable endeavours. • Support flexible home-working arrangements. Succession planning and cross-skilling: • A succession plan was created in December 2019 and covers all Board directors, senior management and key Group staff. • The Remuneration & Nomination Committee is charged with ensuring that future rewards are commensurate with performance and aid staff retention. • We aim to enhance our training programmes over the coming year. • Business plans and initiatives are documented and prepared with cross-functional input to reduce reliance on single individuals. Reward: • The IPO has enabled the business to launch share-based incentives to assist in retaining key personnel. **SHARE THE RISK** • Key man insurance policies are in place and reviewed annually.

KEY TO RISK IMPACT: IN **Income** LQ **Liquidity** LT **Litigation** BR **Business relationships**

Risk category/ sub-category	What is the risk?	Risk Appetite, Risk Treatment and Risk Management
Disruption to supply or production of goods and supply chain risks LT BR	Disruption to supply or production of goods could affect the Group's manufacturing or distribution operations, by limiting availability of materials or products at source or affecting the Group's ability to deliver products to end client, which may result in reduced manufacturing output, reduced sales, breach of contract, and lower consumer confidence.	**RISK APPETITE** Whilst we have no appetite for supply chain risks, these are inherent within the industry in which we operate and cannot be avoided or reduced to zero. We therefore accept the risk but maintain a very low appetite for any activity or decisions which could affect our own supply chain. We closely monitor global and local market events which could affect the Group directly or indirectly. **REDUCE & MITIGATE THE RISK:** • Maintaining awareness of contagion risk, we take a 'competitor intelligence' approach and proactively monitor other supply chains and competitor capabilities to inform our strategic planning and decision making. • INSPECS is one of only a small number of international companies with proprietary control, oversight; end-to-end ownership of our design-manufacture-distribution businesses, ensuring that we are not overly reliant on third-parties to provide these capabilities, unlike our competitors. • Owning the supply chain improves responsiveness and enables high levels of product availability. • Distribution and manufacturing activities are directly under our control, which supports the resilience of our business. • Our integrated omni-channel business model and flat management structure mean we are able to make well-informed decisions quickly and decisively. This enables us to remain agile despite the present volatile global market, and better placed to withstand market disruptions than others. • The Group maintains business continuity and disaster recovery plans, which are reviewed and updated annually and tested quarterly with the incident management team. • The business has extended its risk assessments to include external as well as internal supply chain disruption. The BCP was revised December 2019 and included a 'global pandemic' risk scenario.
Counterparty/ Credit risk LT IN BR	Risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations in a timely manner, or at all. Risk arises principally from trade receivables from customers and cash deposits with financial institutions.	**RISK APPETITE** LOW – the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer but we reduce, control and monitor the risk using the below measures to sufficiently limit credit risk exposure. **REDUCE & MITIGATE THE RISK:** • New and potential customers are credit checked and receivable balances are monitored on an ongoing basis with the aim of minimising the Group's exposure to bad debt. • We price our products prudently and retain our customer-oriented approach in all that we do. We aim to ensure that licence agreements are reflective of our ongoing commitment to our customers and partners, appropriately invest our assets to minimise the risk of creating a loss to the Group and offer our clients warehousing services which helps them reduce costs for inventory management, for example. • Desktop management tool with its incorporated AI capacity, allowing key management to access and aggregate real-time sales and revenue data continuously across the Group. • Debtor days is a Key Performance Indicator which is monitored regularly and reported to the Board in monthly Management Information presentation packs, with comparator figures for prior month and prior year. • Trade debtors are managed in respect of credit risk and cash flow risk by policies concerning the credit offered to customers • Credit policy requirement for minimum credit ratings – Dunn & Bradsheet's services are utilised prior to INSPECS entering into any agreement. Credit limits are set for counterparties, thereafter management conducts regular monitoring of amounts outstanding for both time and credit limits. Trade creditor liquidity risk is managed by ensuring sufficient funds are available to meet amounts due. • Legal counsel retained in each country in which we operate, enabling us to act quickly to mitigate risk of serious financial loss. • The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk. • The Group subcontracts with third party in relation to raw material. Suppliers are on fixed terms and any immediate commodity risk is mitigated in the short term on these transactions. Increases in raw material costs have a limited effect on the overall cost of sales. **SHARE THE RISK** • Insurance is in place and the Group will be indemnified and protected against financial loss in certain circumstances. • The Group may enforce its legal rights and issue claim for third-party non- performance/breach of contract, therefore our risk may be shared with a third-party insurance.

Risk category/ sub-category	What is the risk?	Risk Appetite, Risk Treatment and Risk Management
Liquidity risk LT IN LQ	The risk that the Group does not retain sufficient financial resources to be able to meet its financial obligations as they fall due.	**RISK APPETITE** ZERO appetite for failing to ensure that the Group can meet business and financial commitments that would materially impair the financial position and prospects of the Group and jeopardise its future as a going concern. **REDUCE & MITIGATE THE RISK:** • The Group manages its cash flows to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Group's reputation. • The Group monitors and maintains a sufficient level of cash and bank balances deemed adequate by management, along with utilising an invoice discounting facility, to finance the Group's operations and mitigate the effects of fluctuation in cash flows. • Prudent debt management strategy and KPIs. Scenario planning, stress testing and sensitivity analysis is carried out regularly, the results of which are reviewed by the Board. A vertically integrated organisation means that the Group operates on a lean/agile framework which supports swift decision-making. • Ongoing focus on cost control and efficiency. • Management reviews and monitors the Group's highly comprehensive working capital model, ensuring cash generation and the requirement for capital repayments on the bank loan in to ensure sufficient liquidity for operating purposes across the Group. • Infrastructure investment – manufacturing facilities are owned by the Group, not leased – fixed capital costs with known variables allow us to plan ahead and avoid commercial tenancy and related cost implications.

POST REPORTING PERIOD PRINCIPAL RISKS & UNCERTAINTIES

COVID-19

IN

No matter how resilient our business is, we operate in a connected world and where something globally material fails this will impact our Group. We therefore undertook an extensive review of all aspects of our operations and carried out forecasting and sensitivity analysis to determine what the 'worst case scenarios' might mean for the Group. We are now operating in an increasingly uncertain environment, given the global impacts of COVID-19 impacts and all businesses are subject to a number of risk factors.

INSPECS was at liberty to apply for and benefit from a three-month extension to the statutory deadline for filing the Company's Annual Report & Accounts. Whilst we appreciated the opportunity afforded by the temporary measures provided to allow businesses to focus on dealing with the COVID-19 pandemic, we felt well prepared having recorded 'Global pandemic' on our Risk Register as a potential risk in Q3 2019, and reviewed the Company's Business Continuity Plan (BCP), ensuring that this risk was also reflected and tested as appropriate.

The governance and risk reviews undertaken in 2019 proved timely as we successfully invoked the BCP in February, a week after listing and two weeks before the UK was required to go into 'lockdown', joining 27 other countries combined in a global effort to stem the contagion risk and impact of the pandemic.

We remained alert during the infancy of COVID-19, invoked 'first phase' contingency plans in January, 'second phase' in February and 'third phase' in March when all of our staff were remobilised to work from home, being fully equipped to do so due to our contingency implementation workstream in February. We restricted travel ahead of the curve and were ahead of the curve again the following month; our staff were homeworking before UK lockdown.

Our ability to be flexible and adaptive is due in part to the flat structure and lack of formal hierarchy within the business. Our culture of trust and opportunity provides managers with a high level of autonomy to take swift, appropriate and decisive action within guidelines but without bureaucracy.

The UK is still in lockdown as at the date of this communication with shareholders. Since the pandemic is unprecedented, our four phase framework had not taken into account extended periods of school closures or lockdown. This has been noted in our dynamic governance and risk planning framework. We expect that there will be social distancing measures in place until the end of the year and this will apply to our places of work also. A significant number of staff were mobile or homeworking on occasion, in any event, so we do not envisage any issue with a delayed return to office working.

We are mindful of the risks to mental health and wellbeing and will likely phase in return to offices and factories at the most appropriate time. We will look to our retained third-party specialists to help us develop an effective and supportive plan for our staff.

The Group is in a fortunate cash and liquidity position and, at the present time, we do not believe that our viability will be affected by market events or any resultant regulatory changes.

As always, we have assessed the potential opportunities as well as risks and believe that there are ways in which the Group can advantageously support our partners through these turbulent times and work with peer market participants, combining strengths to bring stability to the industry, whilst maintaining our market position.

FARAH EYEWARE

INSPECS ANNUAL REPORT & ACCOUNTS 2019

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

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BOARD OF DIRECTORS

Board Directors serving as at the date of signing of this Report and Accounts are as follows:

Lord MacLaurin
Chairman

Robin Totterman
Group Chief Executive Officer

Chris Kay
Group Chief Financial Officer

Christopher Hancock FCA
Senior Independent Director

C C

TENURE

Lord MacLaurin has served as a Board Chairman of INSPECS Holdings Limited since 8 March 2017.

Robin has been a Board member since founding INSPECS in 1988.

Chris has been involved with INSPECS since it was founded in 1988 and served as a Board member for INSPECS Holdings Limited since 13 November 2013.

Christopher has served as a Board member for INSPECS Holdings Limited since 8 March 2017.

SKILLS, COMPETENCE AND EXPERIENCE

Lord Ian MacLaurin is a well-known figure in business with a stellar track record of successfully leading plc companies through significant change. Having served as chairman of Tesco between 1985 and 1997, which he is credited with building up into the UK's largest retailer, Lord MacLaurin went on to serve as the chairman of Vodafone between 1999 and 2006. His tenure in the House of Lords lasted over two decades. Lord MacLaurin brings invaluable insights and experience to the Group's ambitious global growth plans.

Robin Totterman is an entrepreneur and forerunner in the branded eyewear industry with over 30 years' experience in eyewear licensing, design, manufacture and wholesale. Robin's passion for design and fashion brought the first branded eyewear to the UK optical market (Jean-Paul Gaultier). His ability to recognise value and seize opportunity saw him complete the acquisition of Killine in 2017, creating a vertically-integrated Group rivalled by only a small number of eyewear firms. Prior to INSPECS, Robin worked at UBS-Swiss Bank and Banque Paribas.

Chris Kay is a qualified chartered accountant and became a partner of Thorne Lancaster Parker, a UK accountancy and taxation firm, in 1992 (of which he is now a non-practising partner). He became Finance Director of INSPECS in 2013 and works closely with Robin Totterman on strategy for the Group. Chris' business development and M&A experience was pivotal to the execution and integration of INSPECS' Killine Group acquisition.

Christopher Hancock FCA has 30 years' experience in business development, restructuring and corporate finance. Christopher qualified as a chartered accountant with Arthur Andersen before entering investment banking, where he spent 10 years with JP Morgan. He established his own consultancy practice in 2009 and co-founded an FCA regulated corporate finance and investment management firm in 2012. Christopher brings a broad range of experience in business development, M&A and corporate finance across several sectors.

Richard Peck
Independent Director

Angela Farrugia
Independent Director

Richard has served as a Board member since 10 January 2020.

Angela was appointed as a member of the Board on 12 May 2020.

Richard Peck is a consultant with 37 years of optical experience. Richard brings a wealth of experience from working in other leading eyewear companies, such as David Clulow and Luxottica, where he held the position of managing director Retail Northern Europe between 2010 and 2018. Richard's retail background increases the Board's diversity of skills, knowledge and experience.

Angela provided specialist advisory services to the Group from October 2019 to the date of appointment to the Board.

Founder of the most successful brand management company in the world, Angela formed TLC (The Licensing Company Ltd) in London in 1996. Creating a new breed of agency, the business grew to encompass 24 offices in 16 countries and amassed a roster of leading brand representations in various sectors, generating over $12.4bn in retail sales annually for its clients. In addition to 22 years operating experience gained within a challenging international business environment, Angela's appointment has satisfied one of the Board's objectives, increased Board diversity.

Committee Membership Key

- Audit & Risk Committee
- Remuneration & Nomination Committee
- Group Projects & Acquisitions Committee
- C Chairman

Retired Board Directors who held office during the financial year ending 31 December 2019 are detailed below, none of whom were independent Board Directors at any time during their tenure.

Marc LeFebvre
Killine Group
Chief Executive

INSPECS Holdings Limited Board member from 8 March 2017 to 10 January 2020. Marc remains a valued senior member of staff, retaining responsibilities as head of Killine Group and reporting directly to INSPECS Group plc CEO.

Jeremy Brade*
Investor Director; Member of Harwood Capital IV LLP

Appointed as INSPECS Holdings Ltd Board member 8 March 2017, resigned 10 January 2020.

Max Totterman
Director

Appointed as INSPECS Holdings Limited Board member 1 August 2014, resigned 10 January 2020.

Tim Sturm*
Alternate Investor Director; Member of Harwood Capital IV LLP

Appointed as Alternate Director to Jeremy Brade 1 December 2018, resigned 10 January 2020.

Alexander Totterman
Director

Appointed as INSPECS Holdings Limited Board member 1 August 2014, resigned 10 January 2020.

Nick Winks*
Investor Director; Member of Way Point Change LLP

Appointed as INSPECS Holdings Limited Board member 12 April 2017, resigned 31 May 2019.

* Those detailed above were appointed to sit on INSPECS Holdings Limited Board acting on behalf of Harwood Capital IV LLP and Way Point Change LLP (together the 'Investing LLPs'). The roles undertaken by these Directors to INSPECS Holdings Limited were not separable from those duties performed in their respective roles at the Investing LLPs.

These Directors did not receive any emoluments from the Group during the period to which this Report refers ,and no direct payments were made for Directors' services within the management charges detailed within these and prior year annual accounts.

On 25 April 2019, INSPECS Group Plc was incorporated (company number 11963910). A share for share exchange took place prior to listing on the AIM Market of the London Stock Exchange, with INSPECS Group plc (formerly INSPECS Group Limited) replacing INSPECS Holdings Limited as the Parent Company on 14 January 2020.

The Board is responsible for determining the Group's strategy for achieving long-term success and is ultimately accountable for the management, governance, controls, risk management, direction and performance of the Group.

Introduction from the Chairman

Having been the first Company or Group to list on the Alternative Investment Market of the London Stock Exchange in 2020, I am pleased to present the Group's first Annual Report.

As INSPECS Group plc Chairman, I am responsible for ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives.

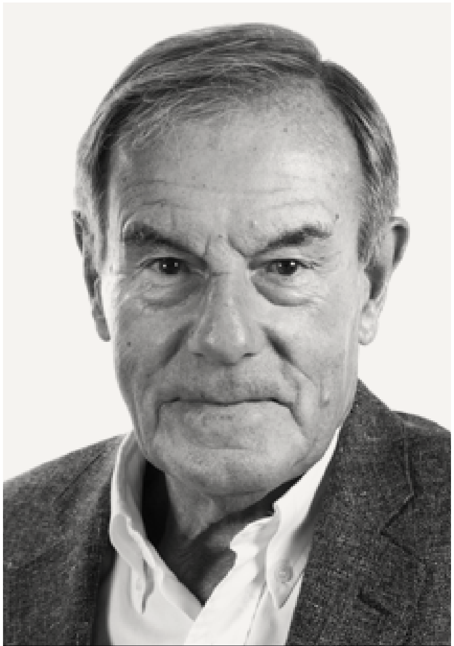
One of those objectives in 2019 was to pay even greater attention to promoting the highest standards of integrity, probity and corporate governance throughout the Group. As a result, we have streamlined our corporate, Board, and governance structures to ensure commercial agility and effectiveness moving forward.

The Board is responsible for determining the Group's strategy for achieving long-term success and is ultimately accountable for the management, governance, controls, risk management, direction and performance of the Group. The Board Directors recognise the value and importance of good corporate governance. An appropriate governance framework supports operational, financial and risk management, the effectiveness of which drives performance, and enables the achievement of strategic objectives for the benefit of all stakeholders.

In preparation for admission to AIM, the Group reviewed its governance and risk frameworks and embarked on an intense programme of change. The revised structures and systems subsequently designed and implemented will help us operate with maximum effectiveness and efficiency. We aim to optimise our competitive positioning and instil trust and confidence in our stakeholders that we intend to deliver against our corporate objectives and create long-term sustainable value.

This section of our first Annual Report sets out the Group's approach to governance, provides information on how the Board and its committees operate and details the steps we have taken to deliver against the objectives we set out to achieve during the period under review, and beyond. The corporate governance framework within which the Group now operates is based upon established practices which the Board believes are appropriate and proportionate to the size, risks, complexity and operations of the businesses in which INSPECS operates, and reflective of the Group's values.

Lord MacLaurin
Chairman
INSPECS Group plc



"As INSPECS Group plc Chairman, I am responsible for ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives."

Lord MacLaurin
Chairman
INSPECS Group plc

CORPORATE GOVERNANCE CODE

The Board recognises the value and importance of good corporate governance and in January 2020, formally approved the adoption of the Quoted Companies' Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies ("QCA Code"), with effect from the date of admission to AIM.

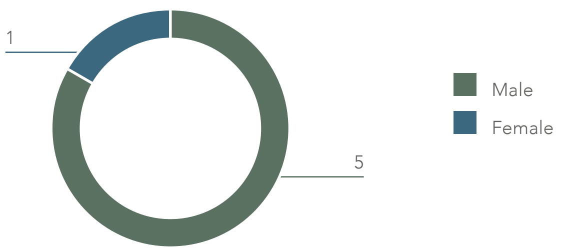
In compliance with AIM Rule 26, the Board's Corporate Governance Statement describes how we comply with the 10 Principles set out in the QCA guidelines. This Statement is available to view on our investor relations website www.inspecs.com/investors. The Board believes that it complies broadly with all Principles of the QCA Code.

The Board is accountable to a wide variety of the Group's stakeholders including shareholders, customers, suppliers and employees. We report on our commitment to stakeholders and how we act responsibly on page 28. You can also read more about our people and culture on page 26 of this Annual Report.

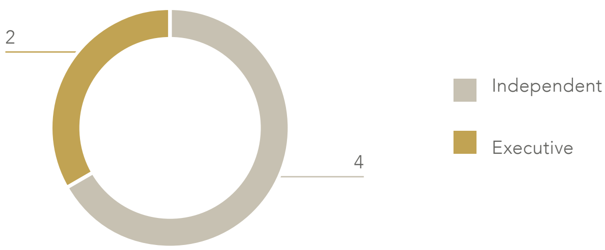
The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. Information relating to how we manage risk can be found on pages 38 to 42 and within the Principal Risks & Uncertainties section on page 39.

"Gender balance of Board Directors increased by 20%."

BOARD DIVERSITY



BOARD COMPOSITION



The Quoted Companies Alliance ("QCA") Corporate Governance Code Application and Compliance

DELIVER GROWTH

1 Establish a strategy and business model which promote long-term value for shareholders

Application

The Board must be able to express a shared view of the Group's purpose, business model and strategy. It should

- go beyond the simple description of products and corporate structures and set out how the Group intends to deliver shareholder value in the medium to long-term; and
- demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the Group from unnecessary risk and securing its long-term future.

Compliance

The Board is responsible for the Group's strategy and accountable for its implementation and management. The Group has a clear business model and defined five-year strategy, which is considered in its wider context at each Board meeting and also formally reviewed, and revised as necessary, on an annual basis.

Strategy forms part of a formal schedule of matters reserved for Board approval and is a standing Board meeting agenda item. Each year the Board dedicates at least one day per year to meet and discuss strategy. The strategy day shall be attended by the Board of Directors, executives and senior management, as appropriate.

Promoting long-term value for shareholders is at the heart of what the Group continually seeks to achieve, and its proven track record of sales growth and profitability is testament to this approach.

Our Strategic Plan provides that in the next 12-24 months the Group will, inter alia:

a) maintain investment in and development of our operating businesses, streamlining factory processes through technological advancement and lean management methodology;

b) continue to utilise our business model blueprint and sustain the Group's organic growth trajectory; and

c) deliver long-term, sustainable value for shareholders.

The Group shares its vision and details of the implementation of its strategy through internal dialogue with employees, as well as external communications with investors and potential investors. The Group will also do this by way of public announcements and dissemination of information through this website, the Investor Relations web pages and the Annual Report.

2 Seek to understand and meet shareholder needs and expectations

Application

Directors must develop a good understanding of the needs and expectations of all elements of the Group's shareholder base.

The Board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.

Compliance

The Group is committed to open and ongoing engagement with its shareholders, and other stakeholders. Throughout the year the Directors have proactively maintained regular dialogue with institutional investors and other potential stakeholders. The Board has sought to ensure that shareholders aspirations and expectations of the group are understood and considered in light of the Group's strategic aims. The Chairman attends meetings with investors and analysts, as required.

Communication with shareholders is co-ordinated by the Chief Executive Officer and Group Chief Finance Officer, with assistance from FTI Consulting, who provide independent financial PR consultancy services, and the Group's AIM-nominated advisors.

The Board is confident that it has an excellent understanding of the needs, interests and expectations of the Group's stakeholders. The Board is not complacent, however, and investor relations activity and a review of the shareholder register are standing items on the Board's agenda schedule.

General information about the Group is available on the Group's website, which provides an overview of activities of the Group, and is accessible to retail and institutional investors alike.

The Group has established a dedicated Investor Relations website ("IRW") and FTI Consulting has been engaged by the Group since early 2019, providing shareholders and other stakeholders opportunity to open dialogue with dedicated external representatives, in addition to the Group's internal representatives. Contact details for shareholder enquiries can be accessed on page [xx].

As we move through the course of the coming year shareholders will be able to view all Group announcements, including trading updates, via the IRW.

The Board is aware of the need to protect the interests of minority shareholders, whilst balancing these interests with those of any substantial shareholders All shareholders are generally encouraged to attend the Annual General Meetings ("AGM") of the Group, which will be the principal opportunity for private shareholders to meet and discuss the Group's business with the Directors. Due to the devastating pandemic, however, this is unlikely to be possible this year, but we will communicate with shareholders as soon as the situation becomes clearer. As at the date of signing this Report the UK is still in complete lockdown.

3 Take into account wider stakeholder and social responsibilities and their implications for long- term success

Application	Compliance
Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The Board needs to identify the Group's stakeholders and understand their needs, interests and expectations. Where matters that relate to the Group's impact on society, the communities within which it operates, or the environment have the potential to affect the Group's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the Group's strategy and business model. Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.	The Board recognises that the Group's long-term success is reliant on the efforts of its employees, contractors, customers and suppliers. It is also mindful of the responsibility to consider, where practicable, the social, environmental and economic impact of our business operations. INSPECS has continually strived to ensure that strong professional relationships are forged with all stakeholders, both internally and externally. Long-standing relationships have been established, some for over 20 years, with many leading global retailers, including Specsavers, National Vision, Grand Vision (which includes Vision Express in the UK), Boots, TK Maxx, Costco, World Duty Free and Superdry retail outlets and global distributors, including Bode and Vistan Brillen. This is testament to our staff actively maintaining collaborative relationships with customers and suppliers and the Group having continued to foster a culture of positive engagement from within. The Group is proud of its organisational culture and corporate ethos. The approach we take when dealing with clients, partners, advisors and other third parties has been instrumental in ensuring that we have low levels of staff turnover and few changes in the supply chain, which reduces risk to our businesses, maintains a high level of morale amongst staff and contributes to long-term shareholder value. We engage regularly with our customers, suppliers and government authorities across the world on wide variety of matters, including health and safety and social environmental matters. We actively solicit, consider and act on feedback from all stakeholder groups. Key relationships with customers, suppliers, contractors and regulators are closely managed by the Executive Directors and senior management. As part of our developing corporate social responsibility policies and to safeguard our employees and contractors, we follow the UK foreign office advice on travelling and working abroad in high risk countries and territories. As a Group we aim to minimise our carbon footprint; initiatives include the introduction of low energy LED lighting in our offices, waste recycling and the use of video-conferencing in place of international travel, where practical. The Group also encourages all staff members to contribute to the success of the Group and welcomes ideas and input from the wider teams with regard to continually seeking to drive the business model and maintain long-term value for shareholders. Our staff engage with stakeholders when attending the various industry exhibitions and optical retail fairs held, which are six times during a normal calendar year. Here we hear first-hand what stakeholders seek and understand how to deliver what they need. These exhibitions provide valuable insight into our customers' needs. In addition, we request feedback on our products and services from our customers and receive copies of independent factory audits which are carried out on behalf of our customers. The Board is appraised of any issues arising and any matters are dealt with expediently. Feedback is an essential part of all control mechanisms. Systems are in place to solicit, consider and act on feedback from all stakeholder groups. All new suppliers and contractors complete our KYC process and all contractors must agree to the terms of our anti-bribery policies. Recognising that more could be done to integrate corporate social responsibility matters, we revised our corporate governance framework significantly during the year and will continue to do so. CSR will become a greater focal point for strategy discussions and we will develop a new Group Corporate Social Responsibility ("CSR") and implement revised or new CSR-related policies and procedures. We will articulate our approach to CSR in more detail in our disclosures going forward and the next Annual Report.

DELIVER GROWTH CONTINUED

4 Embed effective risk management throughout the organisation, considering both opportunities and threats.

Application	Compliance
The Board needs to ensure that the Group's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; Groups need to consider their extended business, including the Group's supply chain, from key suppliers to end-customer. Setting strategy includes determining the extent of exposure to the identified risks that the Group is able to bear and willing to take (risk tolerance and risk appetite).	The Board is responsible for identifying the major risks facing the Group. The CEO is charged with ensuring that appropriate policies, controls and procedures are developed and implemented to manage those risks. The Group receives regular feedback from its external auditors on the state of its internal controls. Being acutely aware of the potential for risks to affect our businesses, however, we have: • Strengthened our risk management framework over the last year and will continue to do so over the coming year. To assist with this objective, we hired a number of additional staff and resources with extensive corporate governance, risk management, compliance, company secretarial and legal expertise gained within FTSE and AIM-listed international organisations; • The Board has established an Audit & Risk Committee and its remit includes risk management, taking into consideration the balance of risk and return, opportunity and threat; and • Developed a primary Group Corporate Risk Register. Information on risk management and our principal risks and uncertainties can be found on pages 39 to 42.

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

5 Maintain the Board as a well-functioning balanced team led by the Chair

Application	Compliance
The Board members have a collective responsibility and legal obligation to promote the interests of the Group and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the Chair of the Board. The Board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight. The Board should have an appropriate balance between executives and Directors and should have at least two Independent Directors. Independence is a Board judgement. The Board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively. Directors must commit the time necessary to fulfil their roles.	The Group's Board comprises four independent Directors and two Executive Directors who, collectively, have over 150 years' Board-level experience. Their complementary skills and professional, dynamic and innovative approach set the tone of the Board, which will continue to function well and drive achievement of the Group's corporate objectives. The Group's Chairman has a stellar track record of successfully leading plc companies through significant change. He is responsible for the leadership and effective working of the Board, for setting the Board agenda, and ensuring that Directors receive accurate, timely and clear information. The Chief Executive is responsible for the operational management of the business of the Group and for the implementation of strategy and policies as agreed by the Board. The Directors are considered by the Board to be independent of management and free to exercise independence of judgement. Our IR website provides information regarding the Group's corporate governance policies and processes. A description of the roles of the Directors is provided on page 46. As mentioned above, the Group undertook a corporate governance review in 2019 and continues to strengthen the Group's governance frameworks as part of our ongoing commitment to maintain the highest standards of governance. In light of the assessment findings and our governance objectives the following actions have been taken: • We have recruited additional suitably qualified and skilled resource to assist the Board and Board sub-committees in meeting the Group's legal, regulatory and obligations; • The following committees and steering groups have been established: – Board Audit & Risk Committee – Board Remuneration & Nomination Committee – Board Group Projects & Acquisitions Committee – Executive Risk Management Committee – Regional Operational Management Committees – Group Information and Communications Technology Steering Committee The responsibilities of each of the Board committees are detailed on pages 62 to 67.

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK CONTINUED

6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

Application

The Board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The Board should understand and challenge its own diversity, including gender balance, as part of its composition.

The Board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a Board.

As businesses evolve, the mix of skills and experience required on the board will change, and Board composition will need to evolve to reflect this change.

Compliance

The individuals who have been appointed to the Board have been selected specifically because of the skills and experience they can offer. The Board of Directors have exemplary credentials and a broad range and balance of skills and experience, materially enhancing the collective knowledge of the Board. We expect these attributes will to continue to contribute to the overall performance of the Board and success of the Group.

Full biographical details of each of the current Directors are included within the Board of Directors page of our website and can be accessed on page 46. We will expand upon the detail on the skills and experience each Director brings to the Board and training the Directors have undertaken during the year in order to maintain an appropriate level of knowledge and skill in future communication with stakeholders.

A succession plan for all Directors, senior managers and key staff was created in December. The Board will review succession plans on a regular basis in the future, at least annually. The Directors undertook professional development and education training in Q4 2019 also, and the Board intends to establish a formal Directors' annual professional development and training programme from 2020.

7 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Application

The Board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual Directors.

The Board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual Directors or the wider senior management team.

It is healthy for membership of the Board to be periodically refreshed. Succession planning is a vital task for boards. No member of the Board should become indispensable.

Compliance

Succession planning has been an area of focus and the following steps have been taken as part of the succession planning strategy:

- The Board has appointed one of its NEDs to act as a Senior Independent Director ('SID'). The SID will act as Deputy Chair, stepping into the role of Board Chair in the future if required, and be another point of contact for shareholders;
- The Board sub-committee terms of reference have also been drafted to provide for rotation of the committee Chair, thereby periodically refreshing the roles of members within each governance forum; and
- Succession planning will continue to be a part of Board discussions this coming year. The Board, with assistance from the Remuneration & Nomination Committee, will consider the need for the periodic refreshing of its membership, and ensure that the skill-sets and time commitment provided by the Board members continues to be aligned with corporate strategy and risk management.

The Board was evaluated in 2019 and we intend to instruct a full evaluation of the effectiveness Board, Board sub-committees and individual Directors again in 2021.

Following these performance and effectiveness reviews the Directors will reflect on all subsequent findings and, where areas for improvement are identified, specific actions will be set and completed within an appropriate timescale. Progress of these actions will be monitored on a regular basis, through to completion and results communicated to key stakeholders as appropriate in subsequent Annual Reports.

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK CONTINUED

8 Promote a corporate culture that is based on ethical values and behaviours

Application

The Board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.

The policy set by the Board should be visible in the actions and decisions of the Chief Executive and the rest of the management team. Corporate values should guide the objectives and strategy of the Group.

The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement.

The performance and reward system should endorse the desired ethical behaviours across all levels of the Group.

The corporate culture should be recognisable throughout the disclosures in the Annual Report, website and any other statements issued by the Group.

Compliance

INSPECS has a strong ethical culture, which is promoted by the actions of the Board and executive team and mirrored by our staff. Collaboration and commitment are recognised as central to the success of our strategy. The Group operates an 'open door' policy and we promote an environment where all staff are regularly invited to contribute and voice their ideas or concerns. All staff are treated equally and with respect for the role they play within the INSPECS organisation.

We pride ourselves on our diverse pool of 'home-grown' talent and the values that our staff embody, mirroring the 'tone from the top'. A significant number of our employees having remained faithfully committed for many years, some in excess of ten years. Our culture of positive engagement was evidenced by the accolade awarded by interior design consultancy Wylde Interior Architecture Ltd which named INSPECS as "the happiest workplace" in November 2018.

In 2019 the Group undertook a review of all key policies at the end of 2019 and commenced a staff training and development programme focused on areas where ethics and moral values play a significant part, to include:

- Anti-Bribery and Anti-Corruption
- General Data Protection Regulations
- Group Disclosure of Information
- Share Dealing Code
- Corporate Gifts & Hospitality
- Whistleblowing
- Privacy notices, internal and externally facing
- Risk Management
- Conflicts of Interest

Following the Group policies assurance review we have implemented, or are currently in the process of implementing, new processes, procedures, guidance and training programmes across the Group. We seek to ensure we are well-placed to demonstrate risk management control and compliance with legal, regulatory and statutory requirements.

In 2019 the Group also carried out the following actions:

- Established an executive risk management committee, whose membership is comprised of key personnel operating in each of the region across the world, ensuring collaborative effort and focus on subsidiary governance; and
- Introduced a Group Corporate Gifts & Hospitality Register, following implementation of the Conflicts of Interest Policy and revision of the Anti-Bribery and Anti-Corruption Policy.

9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Application

The Group should maintain governance structures and processes in line with its corporate culture and appropriate to its

- size and complexity; and
- capacity, appetite and tolerance for risk.

The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the Group.

Compliance

Corporate Governance may be described as the operational frameworks and groups of systems by which companies are directed and controlled. Such systems include policies, processes and procedures which are developed in line with a Group's strategic aims.

A model for governance refers to how those policies, systems, structures, and frameworks interface with each other and outlines the responsibility for them, whether responsibility lies with the Board as a whole, or with the individual Board members, or the Group's management and staff.

The Board is accountable for the governance arrangements of the Group and is aided by three Board sub-committees; Remuneration & Nomination Committee, Audit & Risk Committee and Group Projects & Acquisitions Committee.

The Group has largely operated within an 'Anglo-American' governance model, widely known as 'the unitary system' with shareholders' interests' emphasis. The Group has, however, increasingly co-ordinated its activities and evolved in line with the 'multi-stakeholder' model which recognises the interests of workers, managers, suppliers, customers, and the community, as well as shareholders, reflecting the continued development of the Group.

The Group's corporate governance arrangements facilitate the entrepreneurial drive of the Board and provides a platform for the Group's businesses to flourish within a controlled framework to mitigate risk and ensure effective control and prudent management, which brings long-term success.

The Board believes that appropriate governance structures are in place, based on the size, complexity and risk tolerance of the Group. The governance and risk management frameworks will continue to be monitored by the Board as the Group continue to evolve over time, to ensure alignment with the Group's objectives, business model, strategy, size and complexity, and changes to risk appetite.

Summary details of the Group's corporate governance arrangements are provided within this Corporate Governance Statement. Further detail, including the Schedule of Matters Reserved to the Board, Board and Board Committee Member biographies, roles and responsibilities, terms of reference for each of the Board sub-committees, can be found on our Investor Relations website https://inspecs.com/investors.

BUILD TRUST

10 Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Application	Compliance
A healthy dialogue should exist between the Board and all its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the Company. In particular, appropriate communication and reporting structures should exist between the Board and all constituent parts of its shareholder base. This will assist: • the communication of shareholders' views to the Board; and • the shareholders' understanding of the unique circumstances and constraints faced by the Group. It should be clear where these communication practices are described (Annual Report or website).	The Group has engaged in extensive dialogue with a wide range of stakeholders, shareholders and potential shareholders over the last year, prior to listing its securities on the Alternative Investment Market ("AIM"). Stakeholders have been provided with a plethora of INSPECS information, in accordance with the guidelines of the AIM Rules for Companies, Market Abuse Regulations, Companies Act 2006 and all other relevant legislation, as required. Further planned 2020 activities: • Continue to encourage two-way communication with both institutional and private investors, and respond quickly to all queries received; • Enable the Group Chairman, Group CEO and Group CFO to liaise regularly with the Group's major shareholders and ensure that their views are communicated fully to the Board; • Produce a series of updates throughout the year relating to the Group's performance and make these publicly available via submission to the Regulatory News Service ("RNS") of the London Stock Exchange Group plc ("LSEG") distributed by RNS reach. Copies of all RNS announcements will be found on the investor section of the Group's website[;] • Provide further information during the year as well as Annual Reports and information about shareholder voting at Annual General Meetings of the Group. These details will be set out in the Group's aforementioned investor relations website; and • The Directors will make themselves available to listen to the views of shareholders both formally at annual general meetings and informally during the year as appropriate. The Group will publish copies of all resolutions passed at general meetings via the investor relations website.

ONGOING COMMUNICATION WITH SHAREHOLDERS AND STAKEHOLDERS

Ongoing, transparent and effective engagement with shareholders and key stakeholders is paramount and we will continue to communicate with our stakeholders, principally via the Annual Report, the half year and full-year results announcements, trading updates where appropriate, annual general meetings and the Group's websites. The Board's Corporate Governance Statement and Modern Slavery Act statement can be found on our new investor relations website https://inspecs.com/investors.

The website will be updated regularly with information regarding the Group's activities and performance. Reports, presentations and notices of Annual General Meetings will be made available on the website when available, as will the results of voting at shareholder meetings.

As with all businesses, risks are inherent at each point of our business model and need to be managed. Since risks are not static and can manifest themselves in many ways, the Group's approach to risk management must remain dynamic, flexible and responsive.

The aim of our risk framework is to provide a forward-looking process for managing known threats and assessing how potential threats and uncertainties could impact the Group. We also take a proactive approach, considering risks from a positive perspective to ascertain whether any might provide opportunity for the Group in its endeavours.

A central component of our risk governance framework is the Group's policies and minimum standards, which inform the business as to how activities are to be carried out, risks managed, and standards met. Our policies are regularly reviewed and updated to ensure we comply with ever-changing legal and regulatory requirements and communicate the risk appetite of the Board to the Group's employees as appropriate.

A corporate risk register has been created by the Group Governance Compliance and Risk Officer, to be reviewed by the Audit & Risk Committee and the Board on a quarterly basis. The register considers the impact, probability, controls in place and any mitigating factors to be considered for each risk.

THREE LINES OF DEFENCE

Three Lines of Defence – Group Application of Risk Management Principles

The Board and senior management rely on line functions within the organisation to support risk management. The 'Three Lines of Defence' model is an established framework which determines risk management responsibilities. This model is adapted and applied as considered appropriate. Staff engaged in quality control activities often fall within first and second lines of defence and some functions, and certain personnel with a broad range of responsibilities, may straddle both the first and second line defence, or second and third line.

First Line of Defence – Policies, Policy Owners, Operational Management and Front-Line Staff

All staff are inducted in accordance with their role responsibilities and established induction processes require staff to attest that they will adhere to Group codes of conduct and other policies and associated internal standards and procedures which form part of the first line of defence framework. Operational management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks as first line of defence. Personnel responsible for policy maintenance and compliance act as first line of defence as they:

i) are aware of their duties regarding the policies they are responsible for; and

ii) understand the function of these policies and how they align with individual roles across the Group.

Second Line of Defence – Risk Management, Monitoring, Control and Compliance

The second line of defence refers to activities covered by several components of internal governance, such as compliance, risk management, quality, IT and other control departments that carry out monitoring, facilitate the implementation of risk management practices set by operational management and assist in reporting adequate risk-related information in line with the governance framework and organisational reporting procedures.

Third Line of Defence – Independent Assessment and Assurance activities

The Board has generally charged external advisors with carrying out independent assessments, due diligence and assurance projects. Any independent assessments and assurance work is carried out in line with established frameworks employed by professional external firms that the Board instructs.

INTERNAL AUDIT ("IA")

The Group does not have an IA function. The Board understands that a dedicated IA function can play a key role within a corporate governance structure and support effective risk management as an organisation's third line of defence.

The Group's first and second line of defence can be utilised to carry out some IA support work. The Group Risk Management Committee, and Executive Management Committee headed up by the Group Governance, Risk & Compliance Officer, will undertake certain third line of defence responsibilities, as detailed in the internal management committee's Terms of Reference.

The wider Group Companies are also subject to regular independent audits and have been found to be fully compliant. Following these external independent audits, unmodified opinions have been issued, having obtained both sufficient and appropriate audit evidence that the financial statements present a true and fair view and are free from material misstatement.

Having considered the relative simplicity of the business and the regular review performed by external auditors and assessors on behalf of customers, the Board has determined that the Group does not require an IA function at the present time but will review the potential need for this on a regular basis.

MANUFACTURING AUDITS

The Group's manufacturing operations are subject to stringent regulatory controls, especially in relation to optical eyewear. Regular on-site independent audits are also carried out throughout the year by external auditors, under the instruction of the Group's various global retail partners and licensors. The Board receives copy of independent Audit Reports from the various regions in a timely manner when requested. The Board Audit & Risk Committee are mandated to review these audit reports on behalf of the Board.

BOARD COMPOSITION, DIVERSITY AND TENURE

During the reporting period and subsequently, the Board considered its composition, collective skills, diversity and both enabling and limiting factors to performance over the year. Further to the Board review, the following changes and improvements were brought into effect:

- Retirement of six Board Directors, reducing the net number of members from ten Directors to six, and the number of non-independent Board Directors by 75%;
- Number of independent Directors increased by 100% ;
- Gender balance of Board Directors increased by 20%;
- Greater diversity of collective skills and experience, following the appointment of a proprietary brand marketing and licensing specialist and an eyewear specialist with over 30 years' experience of retail markets;
- Demonstrable compliance with Principle 5 of the QCA Code.

The Board believes that it has the optimum level of skills and knowledge, and the necessary up-to-date experience and collective capabilities, required to discharge its duties and responsibilities effectively and deliver the Group's strategy for the benefit of shareholders over the medium to long term.

The Board now consists of three male Directors, one female Director and two Executive Directors. the Board supports the Financial Reporting Council's aim of encouraging diversity. Given the stage of the Group's development and number of employees, there is currently no formal diversity policy in place. However, this is something that will be considered by the Board as the Group grows. The following table provides a breakdown by gender as at the date of this Report.

Gender Representation as at the date of signing this Report

	Male	Female	Total
Board of Directors	5	1	6
Senior Managers*	10	3	13
Total	15	4	19

* A person who a) has responsibility for planning, directing or controlling the activities of the Company, or a strategically significant part of the Group, and (b) is an employee of the Group (UK Companies Act 2006 (as amended)), incorporates directors of the undertakings included in the consolidation, unless already disclosed under 'Board of Directors'.

The Group was not a public entity during the period 1 January – 31 December 2019; Admission to AIM took place on 27 February 2020. Gender representation for other employees will, therefore, be disclosed in our next Annual Report & Accounts.

BOARD & BOARD COMMITTEE EFFECTIVENESS REVIEWS

The Board intends to keep under review the effectiveness of its performance, the performance of its committees and the performance of individual Directors. The aforementioned corporate restructure and repositioning of the Group Board took place in January. Consequently, we consider it appropriate for an effectiveness review to take place next year, allowing a full year's business cycle of Board and committee activities to be assessed, providing more meaningful input and outputs.

HOW THE BOARD OPERATES

The Board is responsible for the Group's strategy and for its overall management. The operation of the Board is documented in a formal Schedule of Matters Reserved to the Board which clearly established responsibilities of the Board. The Group Chief Executive also operates under formal Board-delegated authority. Division of responsibility and clear lines of accountability are set out within the Board-Delegation of Authority to the CEO, which is reviewed on an annual basis and formally submitted at a meeting of the Board for the Board to review and approve. The Group CEO is subsequently invited to formally accept the delegation, which is recorded in the minutes of the meeting in accordance with good governance practice.

The Chairman, aided by the Company Officers, is responsible for ensuring that the Directors receive accurate and timely information. The Company Officers make themselves available to assist the Board and take minutes of each meeting. Every Director is aware of the right to have any concerns minuted.

BOARD MEMBERS' INDEPENDENCE

The Board considers each Director to be independent of management. The Board is ably led by the Chairman and there is constructive divergence of opinion at appropriate times amongst the Board members, who each are unencumbered and levy enquiry and challenge as they see fit.

The Group Chief Executive Officer is the founder of the INSPECS business and retains a large shareholding. The level of shareholding has not affected the Board's ability to exercise independent judgement. Decision-making is not concentrated in any individual and professional integrity of the Executive Directors ensures that the Board is a collaborative unit, maintaining appropriate focus and oversight for the protection of all shareholders.

CONFLICTS OF INTEREST

The Board has effective procedures in place to monitor and manage conflicts of interests. 'Directors' declarations' is a standing Board and Board committee agenda item. Each Board or Committee member is required to declare any interests in the matters to be discussed and are regularly reminded of their duty to disclose any actual or potential conflicts of interest.

SENIOR INDEPENDENT DIRECTOR

Demonstrating further commitment to compliance with the QCA Code, the Board appointed Christopher Hancock as Senior Independent Director ("SID") with effect from 27 February 2020. Christopher is also Deputy Chair-elect and will act as Lord MacLaurin's alternate when required.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Directors are aware of the need to keep their knowledge and skills up to date. During the year under review the Board attended Directors' briefings and training delivered by Peel Hunt LLP and Macfarlanes LLP. Additional materials were also provided to support the Directors' continued development and ensure that they were appraised regularly throughout the year on matters relating to fiduciary, statutory and regulatory obligations required to be met by Directors of a public limited company.

BOARD DELEGATION OF AUTHORITY TO COMMITTEES

In preparation for admission to AIM the Board approved terms of reference for three Board sub-committees, effective from admission and thereafter to be established as part of the revised Group corporate governance framework.

With effect from the Group's admission to AIM, the Board has delegated specific responsibilities to three new sub-committees; the Audit & Risk Committee, Remuneration & Nomination Committee and Group Projects & Acquisitions Committee. Summary details of each are provided below.

These terms of reference will be reviewed at appropriate intervals to ensure they remain appropriate and reflect any changes in legislation, regulation or best practice. In line with widely accepted good governance practice and compliance with the QCA Code, all Audit & Risk Committee and Remuneration & Nomination Committee members are independent Directors. Further information and committee mandate summaries can be found on pages 62 and 67

BOARD MEETINGS, ATTENDANCE & TIME COMMITMENT

The Board meets at least six times per year and receives monthly Board packs from the Group Chief Finance Officer. Directors communicate directly with Executive Directors and senior management between formal Board meetings.

Directors are expected to attend all meetings of the Board and the Committees on which they may sit, and to devote sufficient time to the Group's affairs to enable them to fulfil their duties. If Directors are unable to attend a meeting, they are still expected to review any meeting papers and provide comments in advance of, to be considered at, the meeting to ensure that their contribution can be included in the wider Board discussion. The Board considers that each Director is able and willing to commit the time necessary to fulfil their respective roles.

The following table shows all Directors' attendance at scheduled meetings during the year under review and up to the date of this Annual Report:

	In the reporting period 01 January – 31 December 2019	In the period 01 January 2019 – 30 April 2020		
	5 Board meetings held	9 Board meetings held	2 Audit & Risk Committee meetings held	1 Remuneration & Nomination Committee meeting held
Group Directors	**Directors in attendance for the period noted**			
Lord MacLaurin (Chair) **	4~	8	2	1
Christopher Hancock **	5~	9	2	1
Robin Totterman	5	9	/	/
Chris Kay	5~	9	/	/
Mark Lefebvre	4[1]	–	–	–
Jeremy Brade/Timothy Sturm	4[1]	–	–	–
Nick Winks*	1*	–	–	–
Richard Peck^	–	7	2	1

~ December 2019 meeting as Directors elect

/ Executive Directors are not members of the Audit & Risk Committee or Remuneration & Nomination Committees

1 December 2019 meeting attended by INSPECS Group plc Board Directors elect only

– Not in office

^ Appointed 10 January 2020

* Director, resigned 31 May 2019

** In line with Board strategy, resigned from INSPECS Holdings (holding Company prior to share for share reorganisation) Ltd Board 10 January 2020 and reappointed as Directors of INSPECS Group plc (the new holding Company replacing INSPECS Holdings Limited, following share for share reorganisation executed immediately prior to IPO) 10 January 2020

INSPECS Holdings Limited Board which comprised all the current INSPECS Group plc Board members (except for Richard Peck and Angela Farrugia, appointed 10 January 2020 and 12 May 2020, respectively), met nine times during the period. In addition, the same Directors met three times collectively as INSPECS Group Board Directors elect in the reporting period.

Further to the period under review, the Board have held and attended all INSPECS Group plc Board meetings no less than nine times between January this year and the date of this Report. The Board sub-committee members have also convened in addition to the Board meetings. This demonstrates the Directors' ability to commit the necessary time to their respective roles in order to carry out their duties effectively.

CORPORATE CALENDAR

A Corporate Calendar agreed by the Board details the scheduled dates of Board and Committee meetings for the year, including dates for the planned Board strategy day and Annual General Meeting of the Group.

CARBON EMISSIONS

The Group's UK operations involve less than 250 employees and, with reference to the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2014, have minimal greenhouse gas emissions to report for the period to 31 December 2019.

Companies Act 2006, as amended, Part 7 disclosures concerning greenhouse gas emissions applies to the Directors' Report for a financial year if the company is a quoted company. The Group was not a public listed Group during the period 1 January – 31 December 2019; Admission to AIM took place on 27 February 2020. We will, therefore, report on the carbon emissions from the operations of all Group subsidiaries within our next Annual Report & Accounts.

KEY PERFORMANCE INDICATORS ("KPIs")

The Group has utilised financial KPIs for many years. Information relating to financial KPIs can be found on page 35, and within the Notes to the Accounts (pages 91 to 137). We are in the process of developing and testing non-financial key performance indicators across the Group and look forward to providing information relating to non-financial KPIs in our next Annual Report & Accounts.

POLICY ON PAYMENT FOR LOSS OF OFFICE

No payments for loss of office have been required to be paid. Should a situation arise where the Group was duty bound or otherwise legally obliged to advance any payment for loss of office, this would be assessed by the Remuneration & Nomination Committee, taking into account contractual obligations, and determination recommended by the Committee to the Board for approval.

SCHEDULE OF MATTERS RESERVED TO THE BOARD

A well-functioning set of Committees can advance, but should not supplant, the work of the full Board. The Board is ultimately accountable for the long-term success of the Group and consequently maintains a formal Schedule of Matters Reserved to the Board. Retaining determinative authority reduces risk, demonstrates good governance practices, and ensures a clear division of responsibilities and accountability. The range of key business matters reserved to the Board for review and approval include:

- Setting strategy, risk appetite and corporate objectives
- The structure and sources of capital and funding of the Group
- Significant corporate transactions, expenditure proposals
- Resource allocation beyond any delegated authority
- Statutory reports, budgets and forecasts
- Group governance, internal control, risk monitoring and compliance frameworks
- Communication with shareholders, advisors and other key stakeholders
- Changes to Board membership or structure
- Key Group policies and committee mandates, ensuring effective stewardship and compliance with statute, law and regulation
- Directors' indemnification and insurance

An Annual Schedule of Board Business Matters details all regular agenda items that require the Board's attention at appropriate intervals throughout the year, in line with the financial cycle of the Group. Annual agenda schedules were also prepared for the Audit & Risk Committee and Remuneration & Nomination Committee prior to their inaugural meetings.

POLICY FOR NEW APPOINTMENT

The Remuneration & Nomination Committee will be charged with considering the policy for new appointments. It is expected that base salary levels will consider market data for the relevant role, internal relativities, the individual's experience and their current base salary. Where an individual is recruited at below market norms, they may be re-aligned over time (e.g. two to three years), subject to performance in the role. Benefits will generally be in accordance with the approved policy.

For external and internal appointments, the Board may agree that the Group will meet certain relocation and/or incidental· expenses as appropriate.

EXTERNAL ADVISORS

The Board seeks advice and guidance on various matters from its financial broker and Nominated Advisor, Peel Hunt LLP, and obtained legal counsel from Macfarlanes LLP. In the year under review, BDO also provided a report to the Board in relation to specialist tax advisory services.

DIRECTORS' LIABILITY INSURANCE AND INDEMNITY

The Group has arranged insurance cover to mitigate adverse cost risk in respect of legal action which could be brought against its Directors. To the extent permitted by UK law, the Group also indemnifies the Directors. These provisions were in force throughout the reporting period, and remain in force at the date of this Report.

DIRECTORS' REMUNERATION

- Lord MacLaurin of Knebworth - $nil
- Robin Totterman - $217,000
- Chris Kay - $138,000
- Christopher Hancock - $nil
- Richard Peck - $nil

BOARD ACTIVITY DURING THE PERIOD

One of the first initiatives we undertook in preparation for application to list on AIM was to revisit the existing governance infrastructure and devise a framework appropriate for the Group. It was particularly important, during a time of significant organisational change, to ensure that the outputs of various work streams were subjected to robust systems of challenge and independent oversight, with material decisions being escalated to the Board. Business matters requiring the Board's attention and activities undertaken during the year included:

Strategy and Operations

- Strategic planning and delivery of objectives – following completion of the AIM admission process the Group successfully listed on the stock exchange on 27 February 2020
- Expansion of the Vietnam manufacturing facility
- Establishment of Long-Term Incentive Plan and employee shares programme
- Succession planning for all Board members, senior management and key Group staff

Stakeholder Relations and Communications

- Engagement of FTI Consulting to act on behalf of the Group and ensure appropriate, effective and timely communications
  to the market and act as conduit to facilitate IPO
- Extensive engagement with a wide variety of stakeholders, institutional investors
- Developing our working relationship with our Nominated Advisor and Broker

Corporate Governance & Risk Management

- Board composition review and revision to the Board structure
- Governance and risk reviews across all areas of the Group's businesses, resulting in the establishment of a revised corporate governance structures and Board sub-committees
- Recruitment of additional resources and highly qualified senior managers qualified accountants, Governance, Compliance & Risk Officer, Information Technology Manager to bolster the Group's collective capabilities and mitigate risk of non-compliance with ongoing obligations as a newly listed public limited enterprise
- Consulted with a variety of stakeholders and external advisors to ensure the proposed enhancements and actions governance and risk management frameworks and proposed processes, procedures and implementation plans were appropriate for the Group once listed
- Revised the Group's governance structures in preparation for listing on AIM

- Initiated a number of projects to be implemented by executives and senior managers, ensuring an integrated approach to governance was coupled with effective change-management control
- Group policies assurance review
- Review of independent legal due diligence and assurance activity carried out across the whole Group in preparation for the IPO

Finance

- Change of Group accounting standards – adoption of IFRS
- New Group banking facilities
- Group tax assurance review

Professional Training and Development

- Several Directors' briefing sessions were provided by external advisors Macfarlanes LLP and Peel Hunt LLP, Broker and NOMAD, to ensure that they were fully prepared to undertake additional duties and obligations as directors of a public limited company

GROUP POLICIES & BOARD STATEMENTS

To ensure content accuracy and ongoing compliance with laws and regulations applicable to the Group, many policies were reviewed, revised and approved by the Board during the year, including outlined below.

All new key Group policies and any revised policies or statements requiring Board approval or formal adoption, were also subject to external scrutiny during the AIM admission process. Independent legal advisors and auditors were charged with undertaking appropriate legal due diligence and assessment of the Group's policies and procedures, thereafter providing assurance reports to the Group's Nominated AIM Advisor, Peel Hunt LLP, and the Board.

Whistleblowing Policy

Whistleblowing is an Audit & Risk Committee agenda item and any incidents reported will be relayed to the Committee in a timely manner. During the period under review there were no Whistleblowing incidents reported for consideration.

Anti–Bribery & Anti-Corruption Policy

The Group's Anti-bribery and Anti-corruption Policy sets out our zero-tolerance position. This has also been revised and updated to provide additional information and guidance to those working for the Group, providing explicit examples of bribery and corruption 'red flags' to reduce the risk of failure to recognise potential bribery and corruption or deal appropriately with such issues. During the period, there were no incidents of bribery or corruption reported or identified for consideration.

The Board also approved new policies and statements in order to meet legal and regulatory obligations upon admission to AIM. Accordingly, our Corporate Governance Statement and Modern Slavery Statement are available to view on the Group's investor relations website https://inspecs.com/investors.

Share Dealing Code

With effect from Admission, in accordance with Rule 21 of the AIM Rules, INSPECS Group plc adopted a share dealing code considered appropriate for a company whose shares are admitted to trading on AIM. The Directors and staff received copies of all relevant information and guidance, and personal briefings on the matter of shareholdings and regulations governing share dealings.

The Board also introduced a **Group Disclosure of Information Policy.**

Whilst also having regard to its size and the resources available, we shall continue to review the Group's systems of internal control and adherence to best practice and, supported by the Board's committees, build on the work carried out already as part of the enhancement and implementation plan.

BOARD COMMITTEES

Group Projects & Acquisitions Committee

All material Group projects and acquisitions have been historically reviewed and approved, if thought fit, by the Board. Given the additional responsibilities required of an AIM-listed Board under the 'Continuing Obligations Regime' the Board considered it prudent to delegate authority to a forum specifically tasked with reviewing potential merger and acquisition transactions and other investment initiatives on behalf of the Group.

The new Group Projects & Acquisitions Committee ('GPAC') will convene on an ad hoc basis at the discretion of the Board. This Committee is authorised to approve merger and acquisition transactions, and investment transactions by the Group, within the parameters set by the Board. Formal Terms of Reference, including investment criteria, responsibilities of a project sponsor, project scope guidance and financial limits, beyond which the Committee is required to defer to the Board, have been approved by the Board and will be reviewed at least annually.

As an ad hoc committee the GPAC has not been required to convene prior to the publication of this Report. The Board's standing committees have been established, however, and the inaugural reports of the Board's Audit & Risk Committee and Remuneration & Nomination Committee are presented below.

On behalf of the Board, I am pleased to present the Group's first Remuneration & Nomination Committee Report.

Committee Chair

Christopher Hancock FCA
Remuneration & Nomination Committee Chairman

Committee members

Lord MacLaurin

Richard Peck

INSPECS Group plc is listed on the Alternative Investment Market (AIM) and, as such, the Group is not obliged under law or regulation to provide a Directors' Remuneration Report or policy, nor a non-financial information statement or Board sub-committee reports. The following Remuneration & Nomination Committee report and associated disclosures are, however, presented on a voluntary basis for the Group, in compliance with Principle 10 of the QCA Code.

COMPOSITION

The Remuneration & Nomination Committee is chaired by Christopher Hancock, who is also the Senior Independent Director. Lord MacLaurin (Group Board Chairman) and Richard Peck are also members of the Remuneration & Nomination Committee. In line with the QCA Code all members of this Committee are independent Directors. The Board considers the Committee to be appropriately sized for the needs of the business.

MANDATE SUMMARY

Previously the main Board undertook the activities relating to Board appointments, remuneration and succession planning, with a view to ensuring that the Board is composed of individuals with the necessary skills and is keen to foster diversity where there is opportunity to do so. With effect from 27 February 2020, the date of admission to AIM, the Board has delegated certain responsibilities to a Remuneration & Nomination Committee.

The Committee operates under the Board's agreed terms of reference and is responsible for, inter alia:

- Considering and determining the Group's policy in relation to employment terms and remuneration packages of Executive Directors, and reviewing all senior executive appointments, pre and post-employment, of the Group
- Reviewing the performance of the Executive Directors, making recommendations to the Board on matters relating to their remuneration and terms of employment
- Making recommendations to the Board on proposals for the granting of share options, and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time.

MEETINGS, ATTENDANCE & TIME COMMITMENT

The Remuneration & Nomination Committee Terms of Reference (the 'Terms') were approved by the Board, effective upon IPO. Since then the Committee has held one meeting, which was attended by all members.

The Remuneration & Nomination Committee members are scheduled to meet at least twice per year, and additionally as required in order to fulfil their roles as Committee members and be available to attend any annual general meeting of the Group. Time commitment is expected to be one to two days per year. The Committee members have confirmed, and the Board is assured, that each can dedicate appropriate time to ensure the effective functioning of this forum.

REMUNERATION POLICY

The objective of the Group's remuneration policy is to attract, motivate and retain high quality individuals who will contribute fully to the success of the Group. To achieve this objective, the Group provides competitive salaries and benefits to all employees. Executive Directors' remuneration is set to create an appropriate balance between both fixed and performance-related elements. Remuneration is reviewed each year in light of the Group's business objectives. It is the Remuneration & Nomination Committee's intention that remuneration should reward achievement of objectives and that these are aligned with shareholders' interests over the medium term.

Remuneration consists of the following elements:

- Basic salary;
- Performance-related annual or long term bonuses, including stock options; and
- Pension contribution.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

The Executive Directors signed new service contracts with the Group on admission to AIM. These are not of fixed duration. Robin Totterman and Chris Kay's contracts are terminable by either party giving six months' written notice.

The Group Chief Executive Officer and Group Chief Financial Officer will be invited to attend Remuneration & Nomination Committee meetings as appropriate where their input may be required but will absent themselves as required in order to ensure that they are not party to any discussion relating to their own benefits and remuneration.

DIRECTORS' LETTERS OF APPOINTMENT & TERMS

The Board retains authority for determining remuneration, emoluments, terms and conditions of appointment of the Directors of the Group. With effect from 27 February 2020 the Remuneration & Nomination Committee will review these matters and make recommendation to the Board for approval of material changes.

The Directors signed letters of appointment with the Group on admission to AIM for the provision of Directors' services, which may be terminated by either party giving three months' written notice.

The Company's articles of association require Directors to retire from office at the third Annual General Meeting after the Annual General Meeting or general meeting at which they were appointed or last reappointed. However, in compliance with best practice, all Directors will be submitted for re-election at annual intervals, with the exception of the current year.

I hope to make myself available at the AGM also, though the recent Coronavirus pandemic may prevent the Group from holding an Annual General Meeting in traditional format. We will liaise with stakeholders in due course as soon as we are able to confirm arrangements.

Christopher Hancock, FCA
Chairman of the Remuneration & Nomination Committee and
Senior Independent Director

Approved on behalf of the Board of Directors on 12 May 2020

On behalf of the Board, I am pleased to present the Group's first Audit & Risk Committee report.

Committee Chair

Christopher Hancock FCA
Audit & Risk Committee Chairman

Committee members

Lord MacLaurin

Richard Peck

INSPECS Group plc is listed on the Alternative Investment Market (AIM) and, as such, the Group is not obliged under law or regulation to provide a Directors' Remuneration report or policy, nor a non-financial information statement or Board sub-committee reports. The following Audit & Risk Committee report and associated disclosures are, however, presented on a voluntary basis for the Group in compliance with Principle 10 of the QCA Code.

COMPOSITION

The Audit & Risk Committee is chaired by Christopher Hancock and its other members are Lord MacLaurin (Group Board Chair) and Richard Peck. In compliance with the QCA Code, all three members are independent Directors.

MANDATE SUMMARY

The Audit & Risk Committee Terms of Reference were approved by the Board, effective from the date of admission to AIM, and formally adopted by the Committee at its inaugural meeting.

The Audit & Risk Committee is responsible for, inter alia:

- Ensuring that the financial performance of the Group is properly reported and reviewed
- Monitoring the integrity of the financial statements, including annual and interim accounts and results announcements
- Reviewing internal control and risk management systems
- Reviewing any changes to accounting policies
- Reviewing and monitoring the extent of the non-audit services undertaken by external auditors
- Advising on the independence and suitability of external auditors
- Advising the Board on the appointment of the auditor following a review of audit fees and service provision, and benchmarking, where relevant
- Discussing the nature, scope and results of the audit with the auditor

MEETINGS, ATTENDANCE & TIME COMMITMENT

The Audit & Risk Committee has unrestricted access to the Group's auditor and is mandated to meet at least twice per year, in addition to attending close out meetings with the external auditor, without management present, when appropriate. The Committee members will also attend Group strategy sessions and the Group's Annual General Meeting.

Demonstrating their availability and intention to pay due attention to carrying out its duties as required, the Committee has already convened two times between February and May this year. It is expected that the Audit & Risk Committee members will spend three to four days per annum focusing on their Audit & Risk Committee duties.

The Group Chief Financial Officer is the executive within the Group responsible for day-to-day financial management of the Group's affairs and its internal accounting and, as such, attends the Committee meetings by invitation.

INTERNAL AUDIT

At present the Group does not have an internal audit function. The Board believes that management can derive appropriate assurance from the adequacy and effectiveness of internal controls and risk management procedures.

GROUP RISK MANAGEMENT COMMITTEE

The work of the Audit & Risk Committee will be supported by the Group Risk Management Committee ("GRMC"), a forum established as part of the revised group risk management framework. The Committee is Chaired by the Group Governance Compliance & Risk Officer who, prior to joining the Group, spent over 15 years working at executive level within FTSE and AIM-listed firms.

Additional GRMC members are senior, long-standing staff members representing key group functions, such as HR, Finance, Law and Regulations, I.T. who have dedicated between nine and 17 years working for INSPECS in a variety of roles. Their level of seniority within the Group and collective knowledge of the Group's businesses provide for a strong group risk cohort. The GRMC is set to report to the Audit & Risk Committee on a quarterly basis, and have unfettered access to the Board.

ROLE OF THE EXTERNAL AUDITOR

During the year under review the Board was responsible for monitoring the relationship with the external auditor, Ernst & Young LLP ("EY LLP"), ensuring that auditor independence and objectivity was maintained. The Board has since delegated this responsibility to the Audit & Risk Committee, following the Group's admission to AIM, and also mandated the Committee to assess the performance and monitor the provision of non-audit services provided by the external auditor.

The breakdown of fees between audit and non-audit services is provided in Note 10 of the financial statements. The non-audit fees relate to assurance reviews, transaction services in support of the flotation and tax services.

AUDIT PROCESS

The auditor prepares an audit plan for the review of the full period financial statements. The audit plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed in advance by the Board. Any areas of significant risk and other matters of audit relevance are regularly communicated.

RISK MANAGEMENT ACTIVITIES UNDERTAKEN DURING THE PERIOD UNDER REVIEW

During the reporting period the Board retained responsibility for the Group's system of internal control and reviewing effectiveness of the frameworks in place. The Board has since delegated certain risk management responsibilities to the new Audit & Risk Committee, though under the Schedule of Matters Reserved to the Board, retains sole authority for approval of the financial statements of the Group and all other significant Group matters.

The most significant risks faced by the Group at the time of writing this Report, and the steps taken to manage them are disclosed in the 'Principal Risks and Uncertainties' section – pages 39 to 42 – and within the consolidated financial statements (notes 1 to 36).

AUDIT & RISK COMMITTEE WORK UNDERTAKEN SINCE IPO

The principal areas of focus for the Committee since the Group listed have been as follows:

i) Review of the external auditor's report and significant issues from the audit report;

ii) Review of the Annual Report and financial statements;

iii) Approval of the management representation letter.

The Committee is mandated to take responsibility for reviewing the audit plan prior to submission of the same to the Board for approval. Following the audit, the auditor presented its findings to the Audit & Risk Committee for discussion. We are pleased to report that no major areas of concern were highlighted by the auditor during the period. Further detail and EY LLPs report can be found on pages 71 to 77.

Key Area of Judgement	Our Response
Inappropriate Revenue recognition	
There is an inherent financial reporting risk around revenue recognition in relation to the timing of revenue recognized. Any manual adjustments to revenue present a higher risk of management override.	We consider that INSPECS existing financial control systems should ensure that income is properly treated in the financial statements. We are satisfied that the controls are working as intended and that revenue recognition is accurate.
Valuation of goodwill	
The Group balance sheet has a significant amount of goodwill relating to the Killine acquisition. Under IFRS, the goodwill is required to be tested for impairment on an annual basis. This involved judgements regarding the future business performance, growth rates and discounts applied to future cash forecast.	We reviewed the reports prepared by management on the goodwill impairment test. We focused on the assumptions regarding future growth and discount rates. We are satisfied that the assumptions used are appropriate to INSPECS.

Key Area of Judgement	Our Response
Valuation of C-class shares	
As part of a private equity firm's investment in February 2017, INSPECS Holding Ltd issued C-option shares along with B class shares. In the current and previous year management engaged independent valuation specialists to assist with the accounting treatment and valuation of these options and consequently recorded a financial liability. Given the complex nature of this calculation, the degree of subjectivity and the significance of the amount recorded, this is considered to be key estimate at the balance sheet date.	We have reviewed the external valuation which calculates the value of the C class shares. We consider the assumptions used to be appropriate and have discussed these with management.
Completeness of uncertain tax positions	
There are uncertain tax provisions recognised relating to transfer pricing and permanent establishment risk Judgements are required to determine the amount of the provision that should be recorded. Consequently, tax experts have been engaged to assist management in assessing the value of these provisions.	We have reviewed the report prepared by the external advisor regarding uncertain tax provisions and discussed this with management. We are satisfied with the value of the provision at the year-end.

On behalf of the Board, the Committee has remained mindful of external audit tenure and will keep under review the requirement for external audit tender and consider the effectiveness of external auditors on a regular basis as appropriate.

The Board and Audit & Risk Committee have reviewed the auditor's independence and performance for the period under review and recommend that EY LLP be reappointed as the Group's auditor at the Group's inaugural Annual General Meeting.

UK 10-YEAR PERFORMANCE GRAPH

The Directors have considered the requirement for a UK 10-year performance graph comparing the Group's Total Shareholder Return with that of a comparable indicator. The Directors do not currently consider that including the graph will be meaningful as the Group has only been listed since February 2020 and has not yet paid a dividend. In addition, the remuneration of Directors is not currently linked to performance and the Directors do not consider the inclusion of this graph to be useful to shareholders as the current time. The Directors will review the inclusion of this table for future reports.

RELATIVE IMPORTANCE OF SPEND ON PAY

The Directors have considered the requirement to present information on the relative importance of spend on pay compared to shareholder dividends paid. Given that the Group does not currently pay dividends we have not considered it necessary to include such information.

RISK GOVERNANCE

OBJECTIVES

The Group's primary risk management aims are to:

- Maintain capital adequacy and ensure stable and efficient access to funding and liquidity, thereby protecting the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- Maintain the Group's culture and retain staff with the appropriate level of skills and experience to support the Group's risk management activities;
- Provide an adequate return to shareholders by pricing products and services commensurate with the level of risk deemed appropriate by the Board;
- Further develop and enhance governance and the Group's risk frameworks; and
- Develop internal assurance capabilities and establish a Group compliance and assurance programme, again with a view to increasing our risk management capabilities.

INTERNAL CONTROL ENVIRONMENT

The Group uses both manual and automated systems and preventative, corrective, detective measures to mitigate, control, monitor and report risk matters.

The principal elements of the Group's internal control activities include:

- close management of the day-to-day activities of the Group by the Executive Directors;
- an organisational structure with defined levels of responsibility, which promotes entrepreneurial decision making and rapid implementation whilst mitigating risks;
- a comprehensive annual budgeting process producing a detailed integrated profit and loss, balance sheet and cash flow, which is approved by the Board;
- comprehensive monthly reporting of Group performance against budget; controls and KPIs, controls of critical risk areas, such as capital expenditure authorisation and banking facilities;
- the framework of risk management and internal control systems, policies and procedures are described on page 65 of the Corporate Governance Report.

QUALITY MANAGEMENT FRAMEWORK

In addition to the Three Lines of Defence model and the Group Risk Management Framework, INSPECS also has an established a Quality Management System ("QMS"), having achieved The International Organisation for Standardisation ("ISO") 9001:2015 QMS accreditation. ISO is an international agency composed of the national standards bodies of more than 160 countries. ISO 9000 series standards are a prescriptive set of international standards of quality management and quality assurance specifying requirements for a quality management system. ISO 9001:2015 includes those 'continuous improvement' and 'risk management' standards.

The Group's ISO 9001:2015 Quality Manual (the "Manual") provides a framework for setting, monitoring, reviewing and achieving the Group's objectives, programmes and targets. Each relevant division of the Group maintains records of ISO processes and procedures and the Manual is updated regularly and approved by the Group CEO at least annually. The Group Audit & Risk Committee now has mandated responsibility for this and will, on behalf of the Board, maintain appropriate oversight of the QMS policy framework and report to the Board as required under the Committee's terms of reference.

QUALITY MANAGEMENT CONTROLS

The scope of the Group's ISO 9001 registration includes the processes and quality management systems relating to the design, manufacture, sales and distribution of both branded and own label eyewear and covers a wide range of processes, controls and risk management across several areas including, but not limited to:

- Design and Development
- Forecasting
- Stock Planning/inventory
- Sales
- Customer Communication
- Dispatch and Delivery
- Invoicing
- Payments

Monitoring and Continual Assessment

The Group has continued to maintain exceptionally high standards of process and quality control. The ISO 9000:2005 management system supports the business to:

i) consistently achieve its quality, safety and operational and manufacturing objectives; and

ii) achieve continual improvement in the effectiveness and performance of the management system.

Adhering to ISO standards allows the Group to demonstrate its ability to consistently provide products and services that meet customer expectations and regulatory requirements. ISO 9001 KPIs are in place. The most recent Group ISO audit was undertaken by Business Assessment Service Ltd ("BAS") in October 2019 and BAS subsequently confirmed that the Group passed the audit assessment.

Health & Safety is continually monitored and reported across the Group, and Health & Safety is often the primary focus of external and internal audit personnel.

The Group's Bath Head Office and Distribution Centre have processes in place to ensure that annual equipment assessments are carried out. Yearly certified renewals of equipment ensure that assets remain safe, fit for purpose and meet regulation and insurance requirements.

Whilst any system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss, the Board considers that the internal controls in place are appropriate for the size, complexity, risk profile of the Group and the resources available.

Christopher Hancock FCA
Chairman of the Audit & Risk Committee and
Senior Independent Director

Approved on behalf of the Board of Directors on 12 May 2020

The Directors present their report with the financial statements of the INSPECS Holdings Limited and the Group for the year ended 31 December 2019. The governance statement on pages 49 to 61 also forms part of this report.

REVIEW OF THE BUSINESS

The Financial Review on page 36 and the Strategic Report on pages 10 to 45 provide a review of the business, the Group's performance for the year ended 31 December 2019, key performance indicators and an indication of future developments.

RESULTS AND DIVIDENDS

The Group has reported its Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Group's results for the period are set out in the Consolidated Statement of Comprehensive Income on page 81.

No dividends will be distributed for the year ended 31 December 2019 as explained in the Chief Executive's Report on pages 12 and 13.

SHARE CAPITAL AND INITIAL PUBLIC OFFERING

Details of the issued share capital and their associated rights are shown in notes 12 and 22 to the Consolidated Financial Statements. On 27 February 2020, the Group was admitted onto the AIM market of the London Stock Exchange. In advance of this, the share structure was changed. See note 36 for further detail.

SUBSTANTIAL SHAREHOLDERS

As at 27 April 2020 the Group has been notified of the following substantial shareholders comprising 3% or more of the issued ordinary share capital of the Group:

Shareholder	No. of shares	%
Robin Bjorn Christian Totterman	18,904,858	26.7
Canaccord Genuity Group Inc	12,147,360	17.2
Amati Global Partners	4,000,000	5.7
Janus Henderson Group Plc	3,714,380	5.3
Legal and General Group Plc	3,311,016	4.7
Tellworth Investments	3,307,596	4.7
Royal London Asset Management GIS Ltd	2,925,500	4.1
Invesco Ltd	2,460,132	3.5
Ninety One	2,269,007	3.2
Chelverton Asset Management Ltd	2,250,000	3.2

DIRECTORS

The Directors shown below have held office in INSPECS Holdings Limited during the whole of the period from 1 January 2019 to the date of this report.

R B C Totterman

C D Kay

Other changes in Directors holding office are as follows:

Lord I C MacLaurin (resigned 10 January 2020)

M R A L Lefebvre (resigned 10 January 2020)

J J Brade (resigned 10 January 2020)

C M J Hancock (resigned 10 January 2020)

A Totterman (resigned 10 January 2020)

M C Totterman (resigned 10 January 2020)

N P D Winks (resigned 31 May 2019)

T J Sturm (resigned 10 January 2020)

The above resignations were as a result of a transfer of Directors to INSPECS Group plc, which as of 20 January 2020 became the new ultimate Parent Company of the Group (see note 36). Names and brief biographical details of INSPECS

DIRECTORS' INTERESTS

Details of the Directors' beneficial interests are set out in the Remuneration Report on pages 62 and 63 and in note 33 of the Consolidated Financial Statements.

SHARE OPTION SCHEMES

Details of share option schemes are set out in note 34, with changes since the balance sheet date discussed in note 36.

POLITICAL DONATIONS

The Group did not make any political donations in the financial period.

DISABLED EMPLOYEES

Details of the Group's policy in relation to disabled employees is set out in the 'Equal Opportunities' and 'Engagement' section of the Remuneration & Nomination Committee Report.

OPERATIONS OUTSIDE OF THE UK

In addition to the head office and production facilities in the UK, the Group has operations in the USA, China, Hong Kong, Vietnam, Macau, Italy, Portugal and Sweden.

GOING CONCERN

The Directors have reviewed the Financial Reporting Council's 'Guidance on the going concern basis of accounting and reporting on solvency and liquidity risks' that was issued in April 2016 and current guidance. The Group's business and factors that may affect its future development and performance are set out in the Strategic Report on pages 10 to 45.

The financial position of the Group and its cash flows and borrowings are set out in the Financial Review on pages 36 and 37 in the Strategic Report.

When assessing the Group's and the Company's ability to continue trading as a going concern the Board reviews and approves the annual budget and has reviewed the cash flows of the Group for 16 months to 31 August 2021. The review has encapsulated cash flows, working capital, borrowing requirements and potential acquisition costs as known at the date of this report. The Group entered a new multi-currency revolving credit facility on the 27 February 2020. This facility at the date of this report has involved one drawdown from HSBC. The terms of this facility are set out in the Group's post balance sheet events disclosure (note 36) to the financial statements. The covenants relating to this facility have been reviewed as part of the going concern review by the board.

As a result of COVID-19 the Group has experienced a reduction in trading. The Group was performing in line with budget for January and February 2020 but as a result of the effective closure of the eyewear retail business globally and the closure of many shipping and distribution hubs current trading is reduced and an accurate estimation of the future short to medium term trading environment is not possible.

In response to COVID-19, the Group has instigated cost-saving measures. The executive team have reduced salaries by 60% and the Group has moved to a four-day working week to allow continual contact with customers and suppliers. This will result, with other operational cost saving measures, in a significant reduction in overheads across the Group which has been factored into the new working capital model. In advance of COVID-19, the Group had put in place new credit facilities which expire in January 2023.

The Board has considered what they believe will be the most likely outcome for the Group as a result of the COVID-19 pandemic and has prepared a forecast on this basis. The Board expects that sales will remain at April 2020 levels until September 2020. These sales will predominately be made to customers with an online sales channel and markets where lockdown has not had such a significant impact. The Group expects sales to increase from September onwards as markets come out of lockdown and from 2021 will return to pre COVID-19 levels, assuming appropriate hygiene levels and acceptance of social distancing.

The Board has stress tested the Group's business plan for the 16-month period to 31 August 2021 by reducing sales and cash collection for a range of scenarios. In certain extreme scenarios, for example when there are no sales for six months, the interest cover debt covenant is breached. However, under these extreme scenarios the Group can repay the debt from its cash reserves. After making this payment the Group will still be able to meet its liabilities as they fall due. In the scenarios where the debt covenants are not breached the Group remains able to meet its liabilities as they fall due.

Whilst the uncertainty continues the Group will continue to save costs and seek new markets, but the Directors have reasonable expectations that the Group and the Company have adequate resources to continue their operational existence for the foreseeable future. Accordingly, we continue to adopt a going concern basis of preparation of the financial statements.

POST BALANCE SHEET EVENTS

Events which have occurred since the balance sheet date, but that are considered material to the users of these financial statements, have been included within note 36.

FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise of bank balances, bank overdraft, invoice discounting and inventories facilities, amounts owed by or to related parties, trade debtors and trade creditors. The main purpose of these instruments is to raise funds for the Group's operations and to finance the Group's operations.

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of an overdraft at floating rates of interest.

In respect of amounts owed by or to related parties, the Directors are aware of the Group's liquidity needs and have determined that these will only be repaid, in whole or in part, when finance is available.

Trade debtors are managed in respect of credit risk and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Exchange risk is managed by the Group by through the purchase and sale of goods in similar currencies where possible.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Group Strategic Report, the Report of the Directors 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 International Financial Reporting Standards as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's Auditors are aware of that information.

OTHER GENERAL AND NON-FINANCIAL DISCLOSURES

INSPECS Holdings Limited and INSPECS Group Limited were both private Companies during the 2019 reporting period and as at the balance sheet date and thus not necessarily obliged to make certain disclosures within this Annual Report. We have however, in the interests of transparency, provided disclosure where we have the ability to do so. The financial statements for INSPECS Group plc (previously INSPECS Group Limited) are shown within Appendix 1 of this Annual Report.

ANNUAL GENERAL MEETING

The Company's AGM will be held on 30 June 2020.

AUDITORS

Ernst & Young LLP have indicated their willingness to be re-appointed as the Company's Auditors for another term. Appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

ON BEHALF OF THE BOARD:

C D Kay
Director
12 May 2020

INDEPENDENT AUDITOR'S REPORT

to the members of INSPECS Holdings Limited

OPINION

In our opinion:

- INSPECS Holdings Group financial statements and parent Company financial statements (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;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of INSPECS Holdings which comprise:

Group	Parent Company
Consolidated statement of financial position as at 31 December 2019	Statement of financial position as at 31 December 2019
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of other comprehensive income for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 36 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 36 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards to the parent Company financial statements, as applied in accordance with the provisions 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 below. We are independent of the Group and 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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

CONCLUSIONS RELATING TO GOING CONCERN

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.

OVERVIEW OF OUR AUDIT APPROACH

Key audit matters	• Revenue recognition • Valuation of goodwill • Valuation of C-class shares	• Completeness of uncertain tax positions • Going concern and the impact of COVID-19 on the business
Audit scope	• We performed an audit of the complete financial information of 3 components.	• The components where we performed full audit procedures accounted for 100% of Profit before tax, 97% of Revenue and 98% of Total assets.
Materiality	• Overall group materiality of $509,000 which represents 5% of profit before tax and IPO costs.	

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition $61.2m (2018: $57.3m) Refer to the Audit Committee Report (page 64); Accounting policies (page 91); and note 4 of the Consolidated Financial Statements (page 105). We have identified a fraud risk related to revenue recognition as there is an incentive to manipulate revenue in order to improve year on year performance and meet the expectations of the market. We consider that the opportunity to manipulate revenue relates to management override of manual journals to revenue accounts.	We used analytics and correlation techniques to demonstrate that revenue follows the expected flow and correlation of revenue to debtors to cash. We tested sales raised in the year by all in-scope entities and agreed to subsequent cash settlements. We obtained a complete list of manual adjustments to revenue accounts during the year and obtained supporting evidence for material or unusual journals posted. We performed correlation trend analysis on the period around year end. We tested sales raised around the cut off period ensuring the revenue was recognised in line with shipping terms. Obtained a complete list of credit notes raised post year end, and for those that related to sales made pre year-end ensured that they were appropriately provided for. We performed full scope audit procedures over this risk area in the UK, US and Hong Kong locations, which covered 97% of the risk amount.	Our use of analytics and correlation techniques on revenue demonstrated a high correlation of revenue to debtors to cash. There were no instances of manual postings identified that were not in line with expectations. We conclude that revenue recognition is materially accurate.
Valuation of goodwill $12.8m (2018 $12.4m) Refer to the Audit Committee Report (page 64); Accounting policies (page 91); and note 14 of the Consolidated Financial Statements (page 114). Management is required to carry out an impairment review of goodwill under IFRS, this involves judgement about the future results of the business and the discount rates applied to future cashflow forecasts and growth rates. Most of the goodwill balance ($12.6m) relates to Twenty20 goodwill.	The goodwill impairment calculation for Twenty20 Limited was obtained from management and key assumptions were identified and figures tied out. The discount rate applied was challenged with management's expert. Key forecast assumptions, revenue, gross profit % and admin expense (including IPO costs) increases were confirmed to the working capital model and underlying assumptions were agreed to external evidence where available. We have checked management's forecasts by independently reperforming the impairment review and considering any contrary evidence. We assessed the historical accuracy of group budgeting. We stress tested key assumptions in the model by reducing the discount rate and sales volumes to consider the degree to which these assumptions would need to change before an impairment is triggered. We considered whether the disclosures in the financial statements were accurate and complete. We performed full scope audit procedures over this risk area in the UK which covered 100% of the risk amount.	We consider the starting point for the base cashflows and the assumptions applied to these are reasonable based on historical trends and external information. The impact of COVID-19 is not considered to be an adjusting event because the China lockdown did not commence until late January. This has therefore not been considered as part of the goodwill testing. We agree this is appropriate. Forecasts have been based upon FY20 budgets and our assessment of the historical accuracy of budgeting indicates that this is an appropriate basis to use FY20 results would need to deteriorate by 22% to trigger an impairment Cashflows have been discounted using a WACC rate of between 17% - 18% and this would need to increase to 28% to trigger an impairment. We agree with managements assessment that goodwill is not impaired. We assessed the disclosures in the financial statements related to impairment testing and concluded that they are accurate and complete.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of C-class shares $3.5m (2018 $6.3m) Refer to the Audit Committee Report (page 64); Accounting policies (page 91); and note 29 of the Consolidated Financial Statements (page 129). As part of a private equity firm's investment in February 2017, the company issued C-option shares along with B class shares. In the current and previous year management have engaged valuation specialists to assist with the accounting treatment and valuation of these options and consequently recorded a financial liability. Given the complex nature of this provision, the degree of subjectivity and the significance of the amount recorded, we consider this to be a significant risk.	We involved our valuation specialists to examine and challenge the assumptions and methodologies used in the valuation of the C-shares option, including consideration of any contrary evidence. EY valuations specialists evaluated whether or not the valuation methodology was appropriate under the circumstances giving consideration to: (i) nature of the asset being valued; (ii) premise of the value; (iii) business, industry, and environment in which the Group operates; and (iv) lack of observable market prices. Evaluation also performed over whether or not the assumptions on which the fair value measurements are based, individually and taken as a whole, are realistic and consistent with: (i) the general economic environment, the economic environment of the specific industry, and the entity's economic circumstances; (ii) existing market information; (iii) the plans of the entity, including management's expectations; (iv) assumptions made in prior periods; and (v) the risk associated with cash flows, including the potential variability in the amount and timing of the cash flows and the related effect on the discount rate. EY valuations specialists performed comparative calculations to test the reasonableness of significant assumptions used in management's analysis; they also performed an independent comparative calculation to test management's specialist's fair value estimate. We assessed the accounting treatment of the C class shares and ensured they were in line with the requirements of IFRS 9. We considered the disclosures in the financial statements to assess whether they were accurate and complete. We performed full scope audit procedures over this risk area the UK location, which covered 100% of the risk amount.	The methodologies used in developing the estimates are consistent with valuation practice The significant assumptions used in developing the estimates were within reasonable ranges. Management's concluded values and our comparative calculations were consistent given the inherent valuation uncertainty from a valuation perspective. We concluded that the accounting treatment of the C-class shares is appropriate. We concluded that the disclosures in the financial statements are accurate and complete.
Valuation of uncertain tax provisions $2.2m (2018 $1.8m) Refer to the Audit Committee Report (page 64); Accounting policies (page 91); and note 30 of the Consolidated Financial Statements (page 130). Management recorded a transfer pricing provision at 31 December 2018. This provision dates back several years and there is a degree of subjectivity in relation to the amount that is recorded. Management engaged with specialists to assist with assessing the value and completeness of this provision. Given the degree of complexity involved due to the Group structure, the subjectivity in assessing the amount and the amount recorded we consider this to be a significant risk.	As part of our prior year audit we reviewed management's transfer pricing policy against the recommendations from their specialist to ensure that they had been applied appropriately. We also examined prices actually charged between related parties to determine whether adjustments were appropriate. We established that there have not been any changes to the business or fact pattern that would impact on the transfer pricing or permanent establishment exposure. We have checked the calculations for the current year and determined that the methodology used is consistent with the prior year and compliant with IFRIC 23. We performed full scope audit procedures over this risk area in the UK location, which covered 100% of the risk amount.	We concluded that assumptions applied are appropriately consistent with the prior year and the methodology is consistent with the requirements of IFRIC 23.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Going concern and the Impact of COVID-19 on the business Refer to the Audit Committee Report (page 64); Accounting policies (page 91); and note 36 of the Consolidated Financial Statements (page 137). The COVID-19 pandemic is having a profound impact on the global economy. There is a risk for any business that they are unable to continue as a going concern as a result of the ongoing lockdowns and social distancing measures in place in a number of countries. The key to the Group is the impact lock down has had on its ability to manufacture and the closure of physical retail outlets. This has an impact on the Group's revenue, heightened credit risk and its ability to supply products on a timely basis therefore impacting the Group's cashflows. The above risks have been considered in a cashflow stress test undertaken by the Group, which demonstrated that the Group can remain solvent with some mitigations still not utilised. The Directors have concluded that even under their most severe stress test the increase in credit risk and decline in cash inflows would not mean that the Group cannot meet its liabilities as they fall due for the period to June 2021.	We obtained the base case cash flow and the forecasts covering the period until end of July 2021 and the worst-case scenario prepared by management and assessed the appropriateness of the inputs and the key assumptions used in the forecasts by comparing to other more extreme and plausible scenarios to understand the cash strain the business could take. We obtained the cash flow and the covenant forecasts and sensitivities prepared by management including the COVID-19 impact and recalculated the headroom In respect of the financial covenant compliance. The reverse cash stress test was prepared on the basis of no sales by the group until July 2021, and demonstrated the Group continued to be viable. On this basis, we challenged the operating costs assumption in this scenario against our knowledge of the business and the nature of these costs. We also verified the availability of the controllable mitigations. We understood and challenged the Directors' controllable mitigation plan and the forecast impact on the ability to operate within its financial covenants. We obtained supporting documentation to evaluate the plausibility and achievability of management's mitigation plans. We assessed whether the disclosures in the financial statements relating to going concern and COVID-19 presented a fair and balanced reflection of the sensitivities considered by the Directors. We performed full scope audit procedures over this risk area in the UK location, which covered 100% of the risk amount.	Based on the results of our audit procedures, we concluded that there is no material uncertainty related to the Group and Company's ability to continue as a going concern. We assessed whether the disclosures were fair, balanced and understandable by comparing the disclosure to the knowledge gained during the audit. We draw attention to notes 2 and 36 of the financial statements, which describe the economic and social consequences the Group is facing as a result of COVID-19, which is impacting supply chains consumer demand and personnel being able to access offices. Our opinion is not modified in respect of this matter.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group wide controls, and changes in the business environment when assessing the level of work to be performed at each entity.

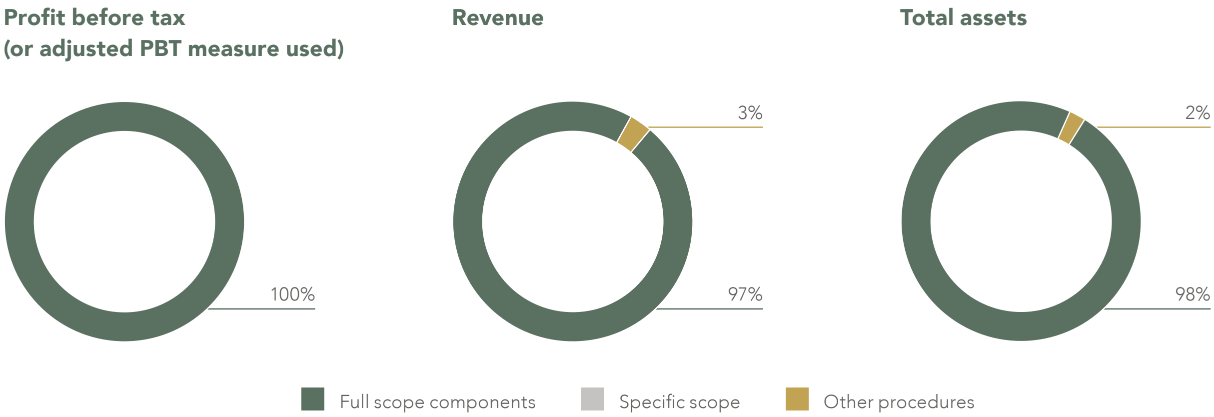
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 6 reporting components of the Group, we selected 3 components covering entities within the UK, US, and Hong Kong, which represent the principal business units within the Group.

Of the 3 components selected, we performed an audit of the complete financial information of all components ("full scope components") which were selected based on their size or risk characteristics.

The reporting components where we performed full audit procedures accounted for 100% (2018: 90%) of the Group's Profit before tax, 97% (2018: 96%) of the Group's Revenue and 98% (2018: 97%) of the Group's Total assets.

The remaining 3 components together represent 0% of the Group's Profit before tax, none are individually greater than 0% of the Group's Profit before tax. For these components, we performed other procedures, including analytical review and testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.



CHANGES FROM THE PRIOR YEAR

There were no scoping changes from the prior year.

INVOLVEMENT WITH COMPONENT TEAMS

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the three full scope components, audit procedures were performed on one of these directly by the primary audit team. For the remaining full scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits in scope locations annually. During the current year's audit cycle, a visit was undertaken by the primary audit team to the component team in the USA. This visit involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending closing meetings, and reviewing key audit working papers on risk areas. The Coronavirus outbreak meant that the primary audit team were unable to visit the Hong Kong location as planned which included the manufacturing facility in China. Alternative procedures were performed which included regular calls to discuss the audit approach with the component team and any issues arising from their work, attending the closing meeting via conference call and reviewing key audit working papers on risk areas. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be $509,000 (2018: $377,000), which is 5% (2018: 5%) of Profit before tax and IPO costs. We believe that Profit before tax and IPO costs provides us with the most appropriate basis for calculating materiality as the group is profitable and performance of the group is assessed on an earnings basis.

We determined materiality for the parent Company to be $250,000 (2018: $245,000), which is 1% (2018: 1%) of total assets.

During the course of our audit, we reassessed initial materiality and there were no significant changes from our planning materiality calculated.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2018: 50%) of our planning materiality, namely $254,000 (2018: $189,000).
We have set performance materiality at this percentage due to a high number of audit adjustments identified in the prior year.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was $102,000 to $229,000 (2018: $56,000 to $170,000).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $25,000 (2018: $18,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

OTHER INFORMATION

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

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

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 the other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the 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 70, 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 and 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.

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.

Ernst & Young LLP

John Howarth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol
12 May 2020

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GROUP STRATEGIC REPORT

for the year ended 31 December 2019

PRINCIPAL ACTIVITY

The principal activity of the Group in the year was that of design, production, sale, marketing and distribution of high fashion eyewear and original equipment manufacturer (OEM) products worldwide. The principal activity of the Company was that of a holding company.

REVIEW OF BUSINESS

	2019 $'000	2018 $'000
Revenue	**61,247**	**57,295**
Gross Profit	**27,536**	**25,900**
Operating and distribution expenses, net of other operating income	(19,591)	(16,883)
Operating profit	**7,945**	**9,017**
Movement in fair value on derivative	2,865	(2,871)
Operating profit/(loss) after movement in fair value on derivative	**10,810**	**6,146**
Add back: Amortisation	1,088	1,133
Add back: Depreciation	2,037	1,874
EBITDA	**13,935**	**9,153**
Add back: Share based payment expense	1,917	–
Less: Profit on sale of property	–	(157)
(Less)/add back: Movement in fair value on derivative	(2,865)	2,871
Underlying EBITDA	**12,987**	**11,867**
Operating profit	**7,945**	**9,017**
Initial public offering costs	(2,827)	–
Movement in fair value on derivative	2,865	(2,871)
Exchange adjustment on borrowings	715	(1,152)
Less: Net finance costs	(1,365)	(1,392)
Add: Share of associates profit	14	23
Profit before tax	**7,347**	**3,625**
Tax	(907)	(126)
Profit for the year	**6,440**	**3,499**

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2019

	Notes	2019 $'000	2018 $'000
Revenue	4	61,247	57,295
Cost of sales	7,10	(33,711)	(31,395)
GROSS PROFIT		27,536	25,900
Other operating income	5	133	177
Distribution costs		(635)	(642)
Administrative expenses	7,10	(19,089)	(16,418)
OPERATING PROFIT		7,945	9,017
Initial public offering costs	8	(2,827)	–
Movement in derivatives	29	2,865	(2,871)
Exchange adjustment on borrowings	25	715	(1,152)
Finance costs	9	(1,380)	(1,396)
Finance income	9	15	4
Share of profit of associates	17	14	23
PROFIT BEFORE INCOME TAX		7,347	3,625
Income tax	11	(907)	(126)
PROFIT FOR THE YEAR		**6,440**	**3,499**
Attributable to: Equity holders of the Parent		**6,440**	**3,499**
Earnings per share			
Basic profit for the year attributable to the equity holders of the Parent	12	$16.38	$8.90
Diluted profit for the year attributable to the equity holders of the Parent	12	$14.80	$8.14

The notes on pages 91 to 137 form part of these financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	2019 $'000	2018 $'000
Profit for the year	**6,440**	**3,499**
Other comprehensive income		
Exchange differences on translation of foreign operations	1	(350)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX	1	(350)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**6,441**	**3,149**
Attributable to: Equity holders of the parent	**6,441**	**3,149**

The notes on pages 91 to 137 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Non-current assets			
Goodwill	14	12,798	12,394
Intangible assets	15	17,482	17,859
Property, plant and equipment	16	10,320	8,944
Right of use asset	26	1,317	1,439
Investment in associates	17	53	40
Other receivables	20	–	42
Deferred tax	28	1,221	1,025
		43,191	41,743
Current assets			
Inventories	19	8,715	10,790
Trade and other receivables	20	12,875	13,754
Cash and cash equivalents	21	6,595	3,041
		28,185	27,585
Total assets		**71,376**	**69,328**
EQUITY			
Shareholders' equity			
Called up share capital	22	62	62
Share premium	23	21,628	21,628
Foreign currency translation reserve	23	1,031	1,030
Share option reserve	23	2,840	647
Retained earnings/(accumulated losses)		5,787	(653)
Total equity		31,348	22,714

The notes on pages 91 to 137 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

as at 31 December 2019

	Notes	2019 $'000	2018 $'000
LIABILITIES			
Non-current liabilities			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	25	12,651	16,677
Deferred tax	28	2,917	2,886
		15,568	19,563
Current liabilities			
Trade and other payables	24	10,192	11,126
Right of return liabilities	4	476	453
Financial liabilities – borrowings			
Interest bearing loans and borrowings	25	4,974	5,064
Bank overdrafts	25	93	207
Invoice discounting	25	2,577	1,602
Derivatives	29	3,536	6,296
Tax payable	30	2,612	2,303
		24,460	27,051
Total liabilities		40,028	46,614
Total equity and liabilities		**71,376**	**69,328**

The financial statements were approved by the Board of Directors on 12 May 2020 and were signed on its behalf by:

R B C Totterman
Director

C D Kay
Director

The notes on pages 91 to 137 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Non-current assets			
Investments	17	3,142	3,155
Loans to Group undertakings	18	21,372	20,769
Deferred tax asset	28	–	518
		24,514	24,442
Current assets			
Trade and other receivables	20	526	611
Cash and cash equivalents	21	–	–
		526	611
Total assets		**25,040**	**25,053**
EQUITY			
Shareholders' equity			
Called up share capital	22	62	62
Share premium	23	21,628	21,628
Foreign currency translation reserve	23	945	569
Share option reserve	23	2,840	647
Accumulated losses		(5,278)	(5,059)
Total equity		20,197	17,847
LIABILITIES			
Current liabilities			
Trade and other payables	24	1,306	910
Derivatives	29	3,536	6,296
Total liabilities		4,843	7,206
Total equity and liabilities		**25,040**	**25,053**

As permitted by section 408(3) of the Companies Act 2006, a separate Income Statement dealing with the results of the Parent Company, has not been presented. The Parent Company loss for the period ended 31 December 2019 is $(219,000), (2018: $(1,182,000) loss).

The financial statements were approved by the Board of Directors on 12 May 2020 and were signed on its behalf by:

R B C Totterman
Director

C D Kay
Director

The notes on pages 91 to 137 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Called up share capital $'000	Share premium $'000	Foreign currency translation reserve $'000	Share option reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2018	62	21,628	1,380	631	(4,152)	19,549
Changes in equity						
Profit for the year	–	–	–	–	3,499	3,499
Other comprehensive loss	–	–	(350)	–	–	(350)
Total comprehensive income	–	–	(350)	–	3,499	3,149
Share based payment	–	–	–	16	–	16
Balance at 31 December 2018	62	21,628	1,030	647	(653)	22,714
Changes in equity						
Profit for the year	–	–	–	–	6,440	6,440
Other comprehensive income	–	–	1	–	–	1
Total comprehensive income	–	–	1	–	6,440	6,441
Share based payment	–	–	–	2,193	–	2,193
Balance at 31 December 2019	62	21,628	1,031	2,840	5,787	31,348

The notes on pages 91 to 137 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Called up share capital $'000	Share premium $'000	Foreign currency translation reserve $'000	Share option reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2018	62	21,628	1,379	632	(3,876)	19,825
Changes in equity						
Loss for the year	–	–	–	–	(1,182)	(1,182)
Other comprehensive loss	–	–	(810)	–	–	(810)
Total comprehensive income	–	–	(810)	–	(1,182)	(1,993)
Share based payment	–	–	–	15	–	15
Balance at 31 December 2018	62	21,628	569	647	(5,059)	17,847
Changes in equity						
Loss for the year	–	–	–	–	(219)	(219)
Other comprehensive income	–	–	376	–	–	376
Total comprehensive income	–	–	376	–	(219)	157
Share based payment	–	–	–	2,193	–	2,193
Balance at 31 December 2019	62	21,628	945	2,840	(5,278)	20,197

The notes on pages 91 to 137 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Notes	2019 $'000	2018 Restated* $'000
Cash flows from operating activities			
Profit before income tax		7,347	3,625
Depreciation charges	16,26	2,037	1,875
Amortisation charges	15	1,088	1,133
Profit on sale of property		–	(156)
Share of associates profit	17	(14)	(23)
Share based payment	34	1,917	15
Movement in fair value of derivatives	29	(2,875)	2,871
Exchange adjustment on borrowings	25	(715)	1,152
Finance costs	9	1,380	1,396
Finance income	9	(15)	(4)
		10,150	11,884
Increase/(decrease) in inventories	19	2,074	(76)
Increase/(decrease) in trade and other receivables	20	912	(2,541)
(Decrease)/increase in trade and other payables	24	(912)	(3,243)
Cash generated from operations		12,224	6,024
Interest paid		(1,609)	(1,211)
Tax paid		(22)	(399)
Net cash from operating activities		10,593	4,414
Cash flows from investing activities			
Purchase of intangible fixed assets	15	(161)	(177)
Purchase of property plant and equipment	16	(2,763)	(798)
Purchase of an associate undertaking	17	–	(18)
Sale of property plant and equipment		–	935
Interest received	9	15	4
Net cash used in investing activities		(2,909)	(54)

	Notes	2019 $'000	2018 Restated* $'000
Cash flow from financing activities			
New bank loans in the year	27	628	3,750
Bank loan principal repayments in year	27	(4,733)	(5,468)
Repayment of other loans	27	(72)	(717)
Transaction costs on debt refinancing		–	(648)
Movement in invoice discounting facility	27	975	141
Principal payments on leases	27	(836)	(681)
Net cash (used in) / from financing activities		(4,038)	(3,623)
Increase in cash and cash equivalents		3,646	737
Cash and cash equivalents at beginning of the year		2,834	2,050
Effect of foreign exchange rate changes		22	47
Cash and cash equivalents at end of year	21	**6,502**	**2,834**

* A reallocation of the invoice discounting facility has been made out of cash and cash equivalents, with the movement in the balance instead shown within cash flow from financing activities. As a result, the comparative has been restated.

The notes on pages 91 to 137 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Profit/(loss) before income tax		352	(1,728)
Movement in fair value of derivatives		(2,875)	2,871
Movement in share option reserve		2,193	–
Finance income		(602)	–
		(932)	1,143
Decrease in trade and other receivables		86	20
Increase in trade and other payables		340	98
Cash generated from operations		(506)	1,261
Net cash from operating activities		(506)	1,261
Cash flow from financing activities			
Net cash from financing activities		–	–
(Decrease)/increase in cash and cash equivalents		(506)	1,261
Cash and cash equivalents at beginning of the year		–	–
Effect of foreign exchange rate changes		506	(1,261)
Cash and cash equivalents at end of year	21	–	–-

The notes on pages 91 to 137 form part of these financial statements

1. GENERAL INFORMATION

INSPECS Holdings Limited is a private company limited by shares and is incorporated in England and Wales. The address of the Company's principal place of business is 7-10 Kelso Place, Upper Bristol Road, Bath BA1 3AU.

The principal activity of the Company and its subsidiaries (the "Group") in the year was that of design, production (from 2017), sale, marketing and distribution of high fashion eyewear and OEM products worldwide. The principal activity of the Company was that of a holding company.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Whilst the Group was not listed as at the year-end date, as of 27 February 2019 the Group was admitted onto the AIM market of the London Stock Exchange (see note 36). Therefore, an Annual Report has been prepared under the same basis as that of a listed Group for the year ended 31 December 2019, with this forming the comparative for the listed accounts of the Group next year.

The consolidated financial statements have been prepared on a historical cost basis, except for share based payments that have been measured at fair value in accordance with IFRS 2 Share based payment and the derivative option over 'C' share measured at fair value in accordance with IFRS 9 Financial instruments.

The presentational currency for the consolidated and Parent Company financial statements is the United States Dollar (US$) rounded to the nearest thousand. The consolidated financial statements provide comparative information in respect of the year ended 31 December 2018.

Going Concern

Based on the Group's forecasts and taking account of the dynamic situation unfolding with COVID-19, the Directors have adopted the going concern basis in preparing the financial statements. In making this assessment, the Directors have made a current consideration of the potential impact of the COVID-19 pandemic on the cash flows and liquidity of the Group over the next 16 months.

The assessment has considered the Group's current financial position as follows:

- The Group improved its cash position during the year with cash and cash equivalents ending the year at $6.5m up from $2.8m as at 31 December 2018.
- The Group's net assets being $31.3m at the end of 2019, with a reduction in the Group's total borrowings from $22.1m to $19.0m.
- On the 27 February 2020 the Group took out a new multi-currency revolving credit facility with HSBC that allows the Group to draw down up to $25m under that facility (see note 36). This allowed the Group to repay its existing borrowings and as at the date of this report the Group has undrawn facilities available under the RCF amounting to $8m.
- On the 27 February 2020 the Group was admitted to the AIM market of the London Stock Exchange and raised $30m in new cash pre IPO expenses, which together with the undrawn RCF facility and existing cash reserves gives the group a strong balance sheet to weather the macro economic disruption situation caused by COVID-19.

This assessment has taken into account the current measures being put in place by the Group to preserve cash and ensure continuity of operations through:

- Taking steps to reduce operating costs through reducing executive management pay by 60% and reducing working hours by 20% for Head Office employees.
- Ensuring continuation of its supply chain buildings on the benefit of having its own manufacturing sites and by using alternative third-party supply lines. For example, the Group is now delivering product to customers via sea freight.
- Maintaining geographical sales diversification, focusing sales to online customers and seeking new revenue streams including the supply of safety eyewear to the NHS and other customers around the globe.

2. ACCOUNTING POLICIES CONTINUED

Going Concern continued

This assessment includes the following assumptions in relation to the impact of COVID-19 on the results of the Group:

- A reduction in monthly revenue from May – August 2020 in line with April 2020 levels, with a corresponding decrease in cost of sales.
- A gradual increase in monthly revenue from September – November 2020 and a return to budget from December 2020.
- Known operating cost reductions as noted above have been included in the calculation as well as not paying a dividend in this financial year.
- Known capital commitments have been included in the assessment.
- Fixed operating costs remain in line with the original budget.
- Any tax liability relating to the uncertain tax positions will not be payable in the period.

Based on this assessment the Group remains a going concern and is forecasting to be in a strong cash position at the end of the 16 month period.

To further test the resilience of the Group the Directors have explored three main stress test scenarios with substantially reduced revenue. These tests reduced revenue by 40%, 65%, and 80% out for the 16 month period to 31 August 2021. The tests considered what the impact of this reduction would be on both the cash position of the Group and the financial covenants associated with the new debt agreement. The Directors also performed a reverse cash stress test with no sales from the 1st June 2020 to the 30 June 2021.

In the two worst case scenarios the interest cover debt covenant is breached during the period. In these instances the Group can repay it's debt from its cash reserves.. After making this payment the Group was still able to meet its liabilities as they fall due and continue trading. In the scenarios where the debt covenants are not breached the Group remains able to meet its liabilities as they fall due and continue trading.

These tests demonstrated the ability of the Group in certain situations to repay from its cash reserves its current facilities with HSBC under the new RCF facility. In all scenarios the Group was able to meet its liabilities as they fall due and comply with its loan requirements or repay the loan in the forecast period if required.

Based on the considerations above, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not reflect any adjustments which would be required to be made if they were prepared on a basis other than the going concern basis.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. Subsidiaries are any entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the income statement in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Investment in associate undertaking

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not in control or joint control over those policies.

The considerations made in determining significant influence or joint controls are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

The income statement reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statement of the associate is prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the income statement.

2. ACCOUNTING POLICIES CONTINUED

Investment in associate undertaking continued

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Current and non-current classifications

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is considered current when it is:

- Expected to be realised or intended to be sold or consumed within the usual parameters of trading activity and as a minimum within 12 months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the normal parameters of trading activity and as a minimum is due to be settled within 12 months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Revenue recognition

Revenue from contracts with customers

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Under IFRS 15 a sale with right of return is recognised if the customer receives any combination of the following:

- a full or partial refund of any consideration paid;
- a credit that can be applied against amounts owed, or that will be owed, to the entity; and
- another product in exchange.

The Group have undertaken a review of their obligations under IFRS 15 and despite having no contractual agreement with the customer certain subsidiary entities have historically accepted a right to return with either a credit being applied against amounts owed or another product offered in exchange.

Revenue from contracts with customers is recognised when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

Revenue is recognised at the fair value of the consideration received or receivable for sale of goods to external customers in the ordinary nature of the business. The fair value of the consideration takes into account trade discounts, settlement discounts, volume rebates and the right of return.

Sales of goods

Revenue from the sales of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Other income

Interest income is recognised on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instruments or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Royalty income is recognised on the sale of the respective goods to which the Group is entitled. Other income is recognised on an accruals basis.

Rights of return

The Group estimates the impact of potential returns from customers based on historical data on returns. A refund liability is recognised for the goods that are expected to be returned (i.e. the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss. Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Patents and licences	1–4 years
Computer software	3 years
Customer relationships	20 years
Customer order book	6 months

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is charged to profit or loss in the period in which it is incurred. In situations when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably then the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2. ACCOUNTING POLICIES CONTINUED

Property, plant and equipment continued

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Freehold Property	over 33 years
Leasehold Improvements	over the lease term
Fixtures and Fittings	over 5 years
Computer Equipment	over 3–5 years
Plant and Machinery	over 3–7 years

The carrying values of property plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

The Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Group recognises right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

Right of use asset

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Short Leasehold Property	over 2–5 years
Plant and Machinery	over 3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing loans and borrowings

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that is considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell after making due allowance for obsolete and slow moving items. Inventories are recognised as an expense in the period in which the related revenue is generated.

Cost is determined on an average cost basis. Cost includes the purchase price and other directly attributable costs to bring the inventory to its present location and condition.

At the end of each period, inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the income statement.

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus; in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Subsequent measurement

For purposes of subsequent measurement, the financial assets of the Group are classified as financial assets at amortised cost (debt instruments).

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, other receivables and loan to an associate included under other non-current financial assets.

The Group does not have any financial assets at fair value through OCI or financial assets at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2. ACCOUNTING POLICIES CONTINUED

Financial instruments – initial recognition and subsequent measurement continued

Financial liabilities continued

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

The Group's and Company's financial liabilities include the option to subscribe for C equity shares treated as derivatives, due to exhibiting all three of the below characteristics:

- Change in value in response to changes in a variable
- No or minimal initial investment is required
- It is settled at a future date

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

The Group has not designated any financial liability as at fair value through profit or loss except for options to subscribe for C equity shares held as derivatives with the movement in fair value passing through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement. This category generally applies to interest-bearing loans and borrowings.

Financial liabilities at fair value through profit or loss

Gains or losses on liabilities are recognised in the income statement. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the income statement in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Classification of shares as debt or equity instruments

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability. An equity instrument is a contract that evidences a residual interest in assets or an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

- There is no contractual obligation to delivery cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- The instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments.

Costs associated with the issue or sale of equity instruments are allocated against equity to the extent that the issue is a new issue, or expensed to the profit and loss for existing equity instruments.

2. ACCOUNTING POLICIES CONTINUED

Share based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in the detailed notes to the accounts. That cost is recognised in employee benefits expense together with a corresponding increase in share option reserve, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because service conditions have not been met. Where awards include a non-vesting condition, the transactions are treated as vested irrespective of whether the non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Taxation

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Tax liabilities are recognised when it is considered probable that there will be a future outflow of funds to a taxing authority. Uncertainties regarding availability of tax losses, in respect of enquiries raised and additional tax measurements issued, may be measured using the expected value method or single best estimate approach, depending on the nature of the uncertainty. Tax provisions are based on management's interpretation of country specific tax law and the likelihood of settlement. Management uses professional firms and previous experience when assessing tax risks.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryover of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to income taxes levied by the same taxation authority on either the same taxable entity and the same taxation authority or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Foreign currencies

These financial statements are presented in US$, which is the Group's presentational currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the US$. As at the end of the reporting period, the assets and liabilities of these entities are translated into US$ at the exchange rates prevailing at the end of the reporting period and their income statements are translated into US$ at the average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate at 31 December 2018 and 31 December 2019.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into US$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the period are translated into US$ at the average exchange rates for the year.

Pensions and other post-employment benefits

The Group operates defined contribution pension schemes, where the amounts are charged to the statement of comprehensive income is the contributions payable in the year. Differences between contributions payable in the year and the contributions actually paid are shown as either accruals or prepayments.

2. ACCOUNTING POLICIES CONTINUED

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

New and amended standards and interpretations

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. It is effective for periods beginning on or after 1 January 2019. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. As such an associated provision has been recognised, which is discussed in more detail in note 3.

Issued but not yet effective international financial reporting standards

The Group has not applied any of the following new and revised IFRSs that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3 Definition of a Business effective for annual periods beginning on or after 1 January 2020.

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. No mandatory effective date yet determined but available for adoption.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

The amendments to IFRS 10 and IAS 28 is not expected to have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 1 and IAS 8 Definition of Material effective for annual periods beginning on or after 1 January 2020.

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures effective of annual periods beginning on or after 1 January 2019.

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2019 was $12,798,000 (2018: $12,394,000). No provision for impairment of goodwill was made as at the end of the reporting period.

Valuation of derivative liabilities

In determining the fair value of derivatives relating to options to subscribe for C equity shares, the Directors have obtained an external valuation having provided the necessary input parameters and variables. The Directors have then reviewed the valuation provided and its methodology and consider it an appropriate valuation for the derivative held. The valuation was determined using a Monte Carlo model and includes reference to grant date valuation and performance of the Group subsequently, as well as valuation at the end date of the arrangement. Assumptions have been used in preparing this valuation which contain estimation of future market conditions and volatility, including comparison to the volatility of similar entities. This valuation will be repeated in future periods over which time the level of estimation required to the end point will narrow. The estimation is re-assessed at the end of each reporting period, with any change in fair value being recognised through the income statement. The options to subscribe for C equity shares are discussed in more detail in notes 12 and 29, with disclosures in relation to estimation uncertainty and sensitivities included in note 29.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

Useful lives and impairment of intangible assets

In determining the useful lives of items of intangible assets the Group has to consider various factors, such as technical or commercial obsolescence arising from changes in the market demands and historical experience. Adjustment of depreciation is made if the estimated useful lives of intangible assets are different from previous estimation. Useful lives are reviewed, and adjusted if appropriate, at least at the end of each reporting period, based on any changes in circumstances.

The carrying value of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting policies as disclosed in the financial statements. The recoverable amount is the higher of its fair value less costs of disposal and its value in use, the calculations of which involve the use of estimates about the future cash flows generated by each asset or the relevant cash-generating units to which the asset belongs. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Uncertain tax positions

Tax authorities could challenge and investigate the Group's transfer pricing or tax domicile arrangements. As a growing, international business, there is an inherent risk that local tax authorities around the world could challenge either historical transfer pricing arrangements between other entities within the Group and subsidiaries or branches in those local jurisdictions, or the tax domicile of subsidiaries or branches that operate in those local jurisdictions.

As a result, the Group has identified it is exposed to uncertain tax positions, which it has measured using an expected value methodology. Such methodologies require estimates to be made by management including the relative likelihood of each of the possible outcomes occurring, the periods over which the tax authorities may raise a challenge to the Group's transfer pricing or tax domicile arrangements; and the quantum of interest and penalties payable in additions to the underlying tax liability. Further details are given in Note 30.

Deferred tax

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

In addition to the deferred tax asset and liabilities recognised, the Group has tax losses that arose in a subsidiary of $1,150,000 (2018: $1,150,000) that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose.

A deferred tax asset has not been recognised in respect of these losses as these losses may not be used to offset against taxable profits elsewhere in the Group and there is no evidence of these losses being utilised by the subsidiary in the future.

If the Group were able to recognise all unrecognised deferred tax assets, the profit would increase by $219,000 (2018: $219,000).

4. REVENUE

The revenue of the Group is attributable to the one principal activity of the Group.

a) Geographical analysis

The Group's revenue by destination is split in the following geographic areas:

	2019 $'000	2018 $'000
United Kingdom	15,242	13,046
Europe (excluding UK)	18,657	20,636
North America	16,038	15,592
South America	975	901
Asia	6,187	5,891
Australia	4,148	1,229
	61,247	57,295

In the year ended 31 December 2019, the Group has two customers which account for more than 10% of the Group's revenues. The revenue generated from each customer is $11,289,000 (2018: $10,271,000) and $7,022,000 (2018: $7,005,000). The revenue from each customer relates to both segments as identified in Note 6.

b) Right of return assets and liabilities

	2019 $'000	2018 $'000
Right of return asset	96	109
Right of return liability	(476)	(453)

Under IFRS 15 a sale with right of return is recognised if the customer receives any combination of the following:

- a full or partial refund of any consideration paid;
- a credit that can be applied against amounts owed, or that will be owed, to the entity; and
- another product in exchange.

The Group has undertaken a review of their obligations under IFRS 15 and despite having no long-term contractual agreements with customers, certain subsidiary entities have historically accepted a right to return with the combination of a credit being applied against amounts owed or another product is offered in exchange.

The right of return asset is presented as a component of inventory (note 19) and the right of return liability is presented separately on the face of the balance sheet.

5. OTHER INCOME

	2019 $'000	2018 $'000
Royalty income	62	91
Sundry income	71	86
	133	177

Royalty income relates to remuneration received from customers for the design of concept frames. Sundry income in 2019 relates to income from an insurance claim.

6. SEGMENT INFORMATION

The Group operates in seven operating segments, which upon application of the aggregation criteria set out in *IFRS 8 Operating Segments* results in two reporting segments;

- Wholesale – being OEM and manufacturing distribution
- Branded product distribution

The criteria applied to identify the operating segments are consistent with the way the Group is managed. In particular, the disclosures are consistent with the information regularly reviewed by the CEO and the CFO in their role as Chief Operating Decision Makers, to make decisions about resources to be allocated to the segments and assess their performance.

The process by which reporting segments were identified included a review of qualitative and quantitative characteristics of each operating segment, including revenue stream, the nature of products, customers, distribution methods and profit margins. Operating segments considered to supply product through similar mechanisms of supply chain have then been aggregated. Head office costs have been fully allocated to the branded segment.

The reportable segments subject to disclosure are consistent with the organisational model adopted by the Group during the financial year ended 31 December 2019 is as below:

	Branded $'000	Wholesale $'000	Total before adjustments & eliminations $'000	Adjustments & eliminations $'000	Total $'000
Revenue					
External	27,729	33,518	61,247	–	61,247
Internal	2,175	3,256	5,431	(5,431)	–
	29,905	36,773	66,678	(5,431)	61,247
Cost of sales	(18,723)	(20,194)	(38,917)	5,206	(33,711)
Gross profit	11,182	16,579	27,761	(225)	27,536
Expenses	(9,772)	(6,743)	(16,515)	(84)	(16,599)
Other income	35	98	133	–	133
Depreciation	(417)	(1,620)	(2,037)	–	(2,037)
Amortisation	(18)	(1,070)	(1,088)	–	(1,088)
Operating profit	1,010	7,244	8,254	(309)	7,945

	Branded $'000	Wholesale $'000	Total before adjustments & eliminations $'000	Adjustments & eliminations $'000	Total $'000
Exchange adjustment on borrowings					715
Movement in derivatives					2,865
Initial public offering costs					(2,827)
Finance costs					(1,380)
Finance income					15
Associates profit					14
Taxation					(907)
Profit for the year					6,440
Total assets	56,815	66,018	122,833	(52,678)	70,155
Total liabilities	(42,618)	(4,676)	(47,294)	33,956	(13,338)
	14,197	61,342	75,539	(18,722)	56,817
Deferred tax asset					1,221
Current tax liability					(2,612)
Deferred tax liability					(2,917)
Derivative liability					(3,536)
Borrowings					(17,625)
Group net assets					31,348
Other disclosures					
Capital additions	143	2,782	2,924	–	2,924

Total assets are the Group's gross assets excluding deferred tax asset. Total liabilities are the Group's gross liabilities excluding loans and borrowings, current and deferred tax liabilities and derivative liabilities.

6. SEGMENT INFORMATION CONTINUED

The reportable segments subject to disclosure are consistent with the organisational model adopted by the Group during the financial year ended 31 December 2018 is as below:

	Branded $'000	Wholesale $'000	Total before adjustments & eliminations $'000	Adjustment & elimination $'000	Total $'000
Revenue					
External	26,523	30,771	57,295	–	57,295
Internal	3,614	2,278	5,892	(5,892)	–
	30,137	33,050	63,186	(5,892)	57,295
Cost of Sales	(18,656)	(18,405)	(37,062)	5,667	(31,395)
Gross profit	11,481	14,644	26,125	(225)	25,900
Expenses	(8,469)	(5,634)	(14,103)	51	(14,053)
Other income	68	109	177	–	177
Depreciation	(321)	(1,554)	(1,875)	–	(1,875)
Amortisation	(20)	(1,113)	(1,133)	–	(1,133)
Operating profit	2,739	6,452	9,191	(174)	9,017
Exchange adjustment on borrowings					(1,152)
Movement in derivatives					(2,871)
Finance costs					(1,396)
Finance income					4
Associates profit					23
Taxation					(126)
Profit for the year					3,499
Total assets	56,254	59,533	115,787	(47,482)	68,305
Total liabilities	(34,332)	(8,518)	(42,850)	29,460	(13,390)
	21,922	51,015	72,937	(18,022)	54,915
Deferred tax asset					1,025
Current tax liability					(2,303)
Deferred tax liability					(2,886)
Derivative liability					(6,296)
Borrowings					(21,741)
Group net assets					22,714
Other disclosures					
Capital additions	187	788	975	–	975

Total assets are the Group's gross assets excluding deferred tax asset. Total liabilities are the Group's gross liabilities excluding loans and borrowings, current and deferred tax liabilities and derivative liabilities.

Acquisition costs, net finance costs and taxation are not allocated to individual segments as the underlying instruments are managed on a Group basis.

Deferred tax and borrowings are not allocated to individual segments as they are managed on a Group basis.

Adjusted items relate to elimination of all intra Group items including any profit adjustments on intra group sales that are eliminated on consolidation, along with the profit and loss items of the Parent Company.

Adjusted items in relation to segmental assets and liabilities relate to the elimination of all intra group balances and investments in subsidiaries, and assets and liabilities of the Parent Company.

Non-current operating assets

	2019 $'000	2018 $'000
United Kingdom	5,410	5,759
Europe	183	29
North America	150	238
Asia	36,175	34,610
	41,918	40,636

Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets, goodwill and intangible assets.

7. EMPLOYEES AND DIRECTORS

	2019 $'000	2018 $'000
Included in cost of sales		
Wages and salaries	4,329	4,205
Social security costs	96	28
Pension costs	8	5
	4,434	4,238
Included in administration costs		
Wages and salaries	9,268	8,360
Social security costs	580	612
Other pension costs	162	165
Share based payment expense	1,917	15
	11,926	9,152
	16,360	13,390

The average number of employees during the year was as follows:

	2019	2018
Administration	176	172
Selling and operations	54	53
Production	992	1,086
	1,222	1,311

7. EMPLOYEES AND DIRECTORS CONTINUED

Directors' remuneration during the year was as follows:

	2019 $'000	2018 $'000
Directors' remuneration	1,148	1,076
Directors' pension contributions	3	3
Share based payment	539	–
	1,690	1,079

Information regarding the highest paid Director is as follows:

	2019 $'000	2018 $'000
	792	746

The number of Directors to whom retirement benefits were in relation to during the year is 2 (2018: 2). This was in the form of a defined contribution pension scheme.

8. INITIAL PUBLIC OFFERING COSTS

In the year to 31 December 2019 the Group incurred costs relating to preparation for Initial Public Offering (IPO) of existing shares of $2,827,000. A further $599,000 was incurred in relation to the IPO of new shares, with this balance being prepaid at the balance sheet date to be allocated against equity on the date of IPO, which occurred on 27 February 2020.

9. FINANCE COSTS AND FINANCE INCOME

	2019 $'000	2018 $'000
Finance costs		
Bank loan interest	930	995
Other loan interest	92	82
Invoice discounting interest & charges	41	75
Amortisation of bank loan transaction	286	185
Lease interest	31	59
Total finance costs	1,380	1,396
Finance income		
Interest receivable	15	4

10. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging/(crediting)

	2019 $'000	2018 $'000
Cost of inventories recognised as expense	21,579	21,215
Short term leases	200	243
Depreciation own assets (note 16)	1,301	1,204
Depreciation – Right of use assets (note 26)	736	670
Amortisation – Intangibles (note 15)	1,088	1,133
Foreign exchange differences	(623)	(405)

	2019 $'000	2018 $'000
Fees payable to the Company's auditor for audit services:		
Audit of the Company and Group accounts	20	18
Audit of the subsidiaries	644	204
Fees payable to the Company's auditor for non-audit services:		
Costs associated with IPO	1,229	–
IFRS conversion costs	232	–
Tax services	33	-

11. INCOME TAX

Analysis of tax expense

	2019 $'000	2018 $'000
Current Tax:		
Tax	485	430
Overseas current tax expense	453	287
Adjustment re prior years	12	–
Total current tax	950	717
Deferred Tax: (See Note 28)		
Deferred tax income relating to the origination and reversal of timing differences	(43)	(591)
Total deferred tax	(43)	(591)
Total tax expense reported in the consolidated income statement	907	126

11. INCOME TAX CONTINUED

Factors affecting the tax expense

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 $'000	2018 $'000
Profit/(loss) before income tax	7,347	3,625
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	1,396	689
Effects of:		
Non-deductible expenses – Share based payment	42	3
Non-deductible expenses – Amortisation of intangible assets	183	193
Non-deductible expenses – Other expenses	(42)	47
Increase in provision for uncertain tax liabilities	463	429
Income taxed in nil rate regime	(1,222)	(1,131)
Different tax rate for overseas subsidiaries	59	(104)
Transfer pricing adjustments	6	–
Tax rate changes	(54)	–
Adjustments in respect of prior year	76	–
Tax expense	907	126

Income not taxable for tax purposes relates to income generated in jurisdictions within which there is a nil taxation rate.

12. EARNINGS PER SHARE

As discussed within the basis of preparation, the Group is not listed as at the balance sheet date and is therefore not required to include EPS disclosures. However, it is considered that this information is useful to the reader and is therefore included. Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on conversion of all the dilutive potential Ordinary Shares into Ordinary Shares, to the extent that the inclusion of such shares is not anti-dilutive.

Basic earnings per share is therefore $16.38 (2018: $8.90), with diluted earnings per share $14.80 (2018: $8.14).

The following table reflects the income and share data used in the basic and diluted EPS calculations:

ORDINARY SHARES	2019 $'000	2018 $'000
Profit/ (Loss) attributable to the ordinary equity holders of the Parent for basic earnings	**–**	**–**
	Number of shares	Number of shares
Weighted average number of Ordinary Shares for basic EPS	**227,870**	**227,870**
Effect of dilution from:		
Share options	42,016	36,570
Weighted average number of Ordinary Shares adjusted for the effect of dilution	**269,886**	**264,440**

B ORDINARY SHARES	2019 $'000	2018 $'000
Profit/ (Loss) attributable to the ordinary equity holders of the Parent for basic earnings	**6,440**	**3,499**

	Number of shares	Number of shares
Weighted average number of Ordinary Shares for basic EPS	**135,385**	**135,385**
Effect of dilution from:		
Share options	–	–
Weighted average number of Ordinary Shares adjusted for the effect of dilution	**135,385**	**135,385**

C ORDINARY SHARES	2019 $'000	2018 $'000
Profit/ (Loss) attributable to the ordinary equity holders of the Parent for basic earnings	**–**	**–**

	Number of shares	Number of shares
Weighted average number of Ordinary Shares for basic EPS	**30,000**	**30,000**
Effect of dilution from:		
Share options	–	–
Weighted average number of Ordinary Shares adjusted for the effect of dilution	**30,000**	**30,000**

Each Ordinary Share carries the right to participate in distributions, as respects dividends and as respects capital on winding up, subject to each B Ordinary Share having received an amount equal to a cumulative 'minimum realisation amount' of $175 per share. For the purposes of the calculation of earnings per share, earnings have been attributed to both share classes, for the period of which they were in issue. Each Ordinary Share carries one vote per share and shares are not redeemable.

Each B Ordinary Share carries the right to participate in distributions, as respects dividends and as respects capital on winding up. Each 'B' share is subject to having received an amount equal to the minimum realisation amount of $175 before Ordinary Shares have the right to participate in distributions. Each B Ordinary Share carries one vote per share and shares are not redeemable.

No C Ordinary Shares have been issued during the periods presented. As part of investment into the Group by certain private equity investors, an option (the "C-share option") was given to those private equity investors over up to 30,000 C Ordinary Shares which may be issued should the option become exercisable and is exercised. If exercised, these shares rank pari passu with the rights of the Ordinary Shares of the Company in relation to liquidation and distribution rights, but hold no voting rights.

13. PROFIT OF PARENT COMPANY

As permitted by section 408(3) of the Companies Act 2006, a separate Income Statement dealing with the results of the Parent Company, has not been presented. The Parent Company loss for the period ended 31 December 2019 is $(219,000), (2018: $(1,182,000) loss).

14. GOODWILL

Group	$'000
COST	
At 1 January 2019	12,394
Exchange adjustment	404
At 31 December 2019	12,798
NET BOOK VALUE	
At 31 December 2019	12,798

COST	$'000
At 1 January 2018	13,098
Exchange adjustment	(704)
At 31 December 2018	12,394
NET BOOK VALUE	
At 31 December 2018	12,394

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the Cash-generating Unit of Twenty20 Limited ($12,547,000 as at 31 December 2019) and INSPECS Limited ($251,000 as at 31 December 2019) for impairment testing.

Twenty20 Limited

The recoverable amount of the Cash-generating Unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

The discount rate applied to the cash flow projections was 17.6% and cash flows beyond the five-year period were extrapolated using a growth rate of 2% in perpetuity. Based on management's assessment there is no impairment adjustment required on goodwill.

To recognise an impairment provision, the discount rate would have to exceed 28.3%.

To recognise an impairment provision the CGU's revenue would have to show nil growth from 2021 onwards with the applicable discount rate remaining at 17.6%

INSPECS Limited

The recoverable amount of the Cash-generating Unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

The discount rate applied to the cash flow projections was 10.3% and cash flows beyond the five-year period were extrapolated using a growth rate of 2% in perpetuity. Based on management's assessment there is no impairment adjustment required on goodwill.

To recognise an impairment provision, the Company would have cashflows only for a three-year period and have a discount rate at 65.5%.

To recognise an impairment provision the CGU's revenue would have no growth for the five-year period with the applicable discount rate at 40.6%.

To recognise an impairment on discount rate alone, the rate would need to increase to 122%.

Assumptions were used in the value in use calculation of the Cash-generating Unit for the years ended 31 December 2019 and December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Forecasted revenue and results of operations

The forecasted revenue and results of operations have been determined based on the past performance of the Cash-generating Unit and management's expected market development with sensitivity of these assumptions as noted above.

Discount rate

The discount rate used is before tax and reflects specific risks relating to the Cash-generating Unit.

Business environment

No major changes in the existing political, legal and economic conditions in those locations in which the Cash-generating Unit operates.

15. INTANGIBLE ASSETS

Group

	Patents and licences $'000	Customer relationships $'000	Customer order book $'000	Computer software $'000	Totals $'000
COST					
At 1 January 2019	163	19,268	1,531	605	21,567
Additions	67	-	-	94	161
Exchange differences	3	641	51	6	701
At 31 December 2019	233	19,909	1,582	705	22,429
AMORTISATION					
At 1 January 2019	78	1,847	1,531	252	3,708
Amortisation for the year	48	964	-	76	1,088
Exchange differences	2	93	51	5	151
At 31 December 2019	128	2,904	1,582	333	4,947
NET BOOK VALUE					
At 31 December 2019	105	17,005	-	372	17,482

	Patents and licences $'000	Customer relationships $'000	Customer order book $'000	Computer software $'000	Totals $'000
COST					
At 1 January 2018	139	20,385	1,620	459	22,603
Additions	39	-	-	138	177
Exchange differences	(15)	(1,117)	(89)	8	(1,213)
At 31 December 2018	163	19,268	1,531	605	21,567
AMORTISATION					
At 1 January 2018	41	934	1,620	182	2,777
Amortisation for the year	50	1,014	-	68	1,133
Exchange differences	(12)	(101)	(89)	2	(201)
At 31 December 2018	78	1,847	1,531	252	3,708
NET BOOK VALUE					
At 31 December 2018	85	17,422	-	352	17,859

15. INTANGIBLE ASSETS CONTINUED

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

	2019		2018	
Intangible Asset	$'000	Remaining amortisation period (years)	$'000	Remaining amortisation period (years)
Customer relationships	17,005	17	17,422	18

16. PROPERTY PLANT AND EQUIPMENT

The Company's property, plant and equipment are subject to a charge to secure against the Group's bank loans.

Group

	Freehold property $'000	Leasehold improvement $'000	Plant & machinery $'000	Fixtures & fittings $'000	Computer equipment $'000	Construction in progress $'000	Total $'000
COST							
At 1 January 2019	5,444	282	5,521	262	645	–	12,154
Additions	1,242	116	1,144	8	90	163	2,763
Disposals	(58)	–	(12)	–	–	–	(70)
Exchange differences	(144)	–	(220)	8	10	–	(346)
At 31 December 2019	6,484	398	6,433	278	745	163	14,501
DEPRECIATION							
At 1 January 2019	304	147	2,122	184	453	–	3,210
Charge for the year	196	63	942	26	74	–	1,301
Eliminated on disposals	–	–	–	–	–	–	–
Exchange differences	(152)	–	(194)	7	9	–	(330)
At 31 December 2019	348	210	2,870	217	536	–	4,181
NET BOOK VALUE							
At 31 December 2019	6,136	188	3,563	61	209	163	10,320

Group

	Freehold property $'000	Leasehold improvement $'000	Plant & machinery $'000	Fixtures & fittings $'000	Computer equipment $'000	Total $'000
COST						
At 1 January 2018	6,298	295	5,388	224	559	12,765
Additions	13	14	591	53	127	798
Additions with subsidiaries	(838)	–	(2)	–	–	(839)
Exchange differences	(30)	(27)	(456)	(14)	(43)	(570)
At 31 December 2018	5,444	282	5,521	262	645	12,154
DEPRECIATION						
At 1 January 2018	208	116	1,513	181	440	2,458
Charge for the year	163	52	921	16	52	1,204
Eliminated on Disposals	(60)	–	–	–	–	(60)
Exchange differences	(7)	(21)	(312)	(13)	(39)	(391)
At 31 December 2018	304	147	2,122	184	453	3,210
NET BOOK VALUE						
At 31 December 2018	5,140	135	3,399	79	191	8,944

17. INVESTMENTS

Group

Share of net assets of associate	Interest in associates $'000
COST	
At 1 January 2019	40
Share of profit	14
Exchange difference	(1)
At 31 December 2019	53
NET BOOK VALUE	
At 31 December 2019	53

	$'000
Revenue	193
Expenses	(179)
Profit before tax	14
Income tax	–
Share of profit of associate for the year ended 31 December 2019	14

The Group's associated undertaking is Ruain Zuoyou Glasses Co Ltd, a company registered in China.

17. INVESTMENTS CONTINUED

Company

	Shares in subsidiaries $'000
COST	
At 1 January 2019 and 31 December 2019	3,155
PROVISION FOR IMPAIRMENT	
At 1 January 2019	–
Impairment charge	10
Exchange difference	3
At 31 December 2019	13
NET BOOK VALUE	
At 31 December 2019	3,142

	Shares in subsidiaries $'000
COST	
At 1 January 2018 and 31 December 2018	3,155
NET BOOK VALUE	
At 31 December 2018	3,155

Investments held are shown below. Investments held directly by the Company are marked *. The remaining investments are held indirectly by the Company.

Subsidiaries	Registered office	Nature of business	Class of shares	% holding
INSPECS Limited*	7-10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Eye wear trading	Ordinary	100.00
INSPECS USA LLC*	18401 US Highway 19N, Clearwater, Florida 33764, USA	Eye wear trading	Ordinary	100.00
Algha Group Limited*	7-10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Eye wear manufacturing	Ordinary	100.00
INSPECS Scandinavia AB*	184 40 Akersberga, Stockholm, Sweden	Eye wear trading	Ordinary	100.00
Maronglow Limited[1]	7-10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Dormant	Ordinary	100.00
UK Optical Limited*	7-10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Dormant	Ordinary	100.00
American Optical UK Limited*	7-10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Dormant	Ordinary	100.00
Twenty20 Limited[2]	Elian Fiduciary Services (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman KY1-9007, Cayman Islands	Holding company	Ordinary	100.00
Bandoma Limited[3]	Suite 6, Watergardens 4, Gibraltar	Holding company	Ordinary	100.00

Subsidiaries	Registered office	Nature of business	Class of shares	% holding
Ice Foster Limited[3]	Nemours Chambers, Road Town, Tortola, British Virgin Islands	Holding company	Ordinary	100.00
Killine Group Limited[4]	Elian Fiduciary Services (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman KY1-9007, Cayman Islands	Holding company	Ordinary	100.00
Killine Optical Limited[3]	Alameda Dr. Carlos D'Assumpcao, nos 335-341, Edificio Centro Hotline, 21 andar A, em Macau	Eye wear trading	Ordinary	100.00
Neo Optical Company Limited[5]	Neo Town Industrial Zone, Yen Dung District, Bac Giang Province, Vietnam	Eye wear manufacturing	Ordinary	100.00
On Sight Services-Sociedade Unipessoa, Lda[3]	Rua Soares de Passos, 10A/10B	Eye wear design	Ordinary	100.00
O.W. Ventures Limited[3]	Unit 305-7, 3/F, Laford Centre, 838 Lai Chi Kok Road, Cheung Sha Wan, Kowloon, Hong Kong	Corporate management	Ordinary	100.00
Zhongshan Torkai Optical Co Limited[6]	Shagou Industrial Park, Banfu County, Zhongshan, Guangdong, China	Eye wear manufacturing	Ordinary	100.00
Neway (Macao Commercial Offshore) Limited	Alameda Dr. Carlos D'Assumpcao, nos 335-341 Edificio Hot line, 21 andar D, em Macau	Eye wear trading	Ordinary	100.00
Kudos S.R.L.	Via Noai 5, Domeggi Di Cadore, CAP 32040, Italy	Eye wear manufacture	Ordinary	100.00
Primoptic Limited[7]	Alameda Dr. Carlos D'Assumpcao, nos 335-341, Edificio Centro hotline, 21 andar A, em Macau	Eye wear trading	Ordinary	100.00
Yardine Limited[3]	Nemours Chambers Limited, Road Town, Tortola, British Virgin Islands	Holding company	Ordinary	100.00
INSPECS Asia Limited*	10F Sing Ho Finance Building, 166-168 Gloucester Road, Hong Kong	Quality Control Services	Ordinary	100.00
Duval Company Group Limited[3]	Registered office: Nemours Chambers, Road Town, Tortola, British Virgin Islands	Holding company	Ordinary	100.00

1 The shares are held by Algha Group Limited.

2 The shares are held by INSPECS Limited.

3 The shares are held by Killine Group Limited.

4 The shares are held by Twenty20 Limited.

5 The shares are held by Killine Optical Limited.

6 The shares are held by Bandoma Limited.

7 The shares are held by Duval Company Group Limited.

18. LOANS TO GROUP UNDERTAKINGS

Company

	Loans to Group undertakings $'000
COST	
At 31 December 2018 and at 31 December 2019	20,769

	Loans to Group undertakings $'000
FAIR VALUE	
At 31 December 2018	20,769
Interest during the year	603
At 31 December 2019	21,372

Amounts owed by Group undertakings are unsecured and interest free. The amount owed is repayable in February 2027 but voluntary prepayment is permissible. The amount owed is subordinated to the subsidiary's bank loan.

19. INVENTORIES

	2019 $'000	2018 $'000
Raw materials	1,409	2,115
Work in progress	2,725	3,600
Finished goods	4,581	5,075
	8,715	10,790

The above includes amounts in respect of right of return asset and the amount for each year is as below;

	2019 $'000	2018 $'000
Finished Goods – Right of return asset	96	109

Inventories are stated after provisions for impairment of $1,841,000 (2018: $1,738,000)

20. TRADE AND OTHER RECEIVABLES

	Group	
	2019 $'000	2018 $'000
Current:		
Trade receivables	9,815	12,205
Amounts owed by related parties	34	2
Prepayments	2,288	1,080
Other receivables	738	458
Tax receivable	–	9
	12,875	13,754
Non-current:		
Other receivables	–	42
Aggregate amounts	12,875	13,796

Other receivables include balances held on deposit and royalties receivable.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019 $'000	2018 $'000
Due in one month	8,846	7,911
1–2 months	437	3,686
2–3 months	395	426
Over 3 months	137	182
	9,815	12,205

Set out below is the movement in the allowance for expected credit losses of trade receivables.

	2019 $'000	2018 $'000
At 1 January	29	70
Movement in the year	(10)	(40)
Exchange adjustment	–	(1)
At 31 December	19	29

20. TRADE AND OTHER RECEIVABLES CONTINUED

Group

Amounts owed by related undertaking are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group's large retail chain orders on purchase orders which are paid within 30 to 60 days and other customers are well diversified and hence there is no significant credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. They are stated net of loss allowance.

Impairment under IFRS 9

An impairment analysis is performed at each reporting date to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

As at 31 December 2019, the expected credit loss rate for the Group's trade receivables is minimal for all trade receivables.

Company

	2019 $'000	2018 $'000
Current:		
Prepayments and other receivables	526	–
Amounts owed by subsidiaries	–	611
	526	611

Amounts owed by subsidiaries are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

21. CASH AND CASH EQUIVALENTS

Group

	2019 $'000	2018 $'000
Cash in hand	1	1
Bank accounts	6,594	3,040
	6,595	3,041

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to US$458,000 (2018: US$242,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through bank authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

For the purposes of the statement of cashflows, cash and cash equivalents comprise the following at 31 December: The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

	2019 $'000	2018 $'000
Cash in hand	1	1
Bank accounts	6,594	3,040
	6,595	3,041
Bank overdrafts	(93)	(207)
	6,502	2,834

Company

	2019 $'000	2018 $'000
Bank accounts	–	–

22. CALLED UP SHARE CAPITAL

Authorised and issued share capital:

Number:	Class:	Nominal value	2019 $'000	2018 $'000
227,870 (2018: 227,870)	Ordinary	£0.10	44	44
135,385 (2018: 135,385)	B Ordinary	£0.10	18	18
			62	62

Refer to note 12 for details in relation to the shares in issue and their rights.

23. RESERVES

Share premium – Group and Company

This reserve records the amount above the nominal value of the sums received for shares issued, less transaction costs.

	2019 $'000	2018 $'000
At 1 January and 31 December	21,628	21,628

Share option reserve – Group and Company

The share option reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

	2019 $'000	2018 $'000
At 1 January	647	631
Share based payment	2,193	16
	2,840	647

23. RESERVES CONTINUED

Foreign currency translation reserve – Group

This reserve records the foreign currency translation adjustment on consolidation.

	2019 $'000	2018 $'000
At 1 January	1,030	1,380
Other comprehensive income	1	(350)
	1,031	1,030

Foreign currency translation reserve – Company

With regards to the foreign currency translation reserve in the Company, this is in relation to translating the Parent Company's accounts being translated to the presentation currency of US $.

	2019 $'000	2018 $'000
At 1 January	569	1,379
Other comprehensive income	376	(810)
	945	569

24. TRADE AND OTHER PAYABLES

Group

	2019 $'000	2018 $'000
Current:		
Trade payables	5,193	6,661
Amounts owed to related parties	258	675
Other payables	280	307
Social security and other taxes	132	124
Royalties & provisions	852	865
Accruals	3,477	2,494
	10,192	11,126

The trade payables are non-interest-bearing and are normally settled on cash-on-delivery or 90-day terms.

Amounts owed to related parties are unsecured, interest free, have no fixed date of repayment and are repayable on demand (see note 31 for further detail). Derivative liabilities relate to an agreement regarding the issue of options to subscribe for C equity shares.

Company

	2019 $'000	2018 $'000
Current:		
Tax payable	55	-
Amounts owed to subsidiaries	1,251	910
	1,306	910

Amounts owed to subsidiaries are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Derivative liabilities relate to an agreement regarding the issue of options to subscribe for C equity shares.

25. FINANCIAL LIABILITIES – BORROWINGS

Group

	2019 $'000	2018 $'000
Current:		
Bank overdraft	93	207
Invoice discounting	2,577	1,602
Bank loans	4,228	4,337
Other loans	–	42
Lease liabilities	746	685
	4,974	5,064

	2019 $'000	2018 $'000
Non-Current:		
Bank loans	12,168	15,932
Other loans	-	29
Lease liabilities	483	716
	12,651	16,677

All non-current borrowings are due in less than five years.

The Group has utilised invoice financing to assist with supplier payments following the acquisition of Twenty20 Limited.

At the balance sheet date the available invoice discounting facility was $3.0m (2018: $3.0m).

The invoice discounting facility bears interest at 1.85% over base rate throughout 2019 (2018: 1.85%).

The invoice discounting facility is secured by way of fixed and floating charges over the trade receivables of INSPECS Limited. The facility has no fixed end date, with a notice period of three months.

Included within the Group bank loans are the following:

- an amount of $21,375,000 relating to a loan payable in quarterly instalments of $1,875,000 up to 30 September 2018 and $1,125,000 per quarter form 1 October 2018 onwards. Interest is payable at the applicable Margin Rate plus LIBOR calculated daily on a 360-day year basis. The Margin Rate is 2.00%, 2.50% or 3.00% dependent upon the Group's leverage ratio.

On 30 October 2018, the Group and the principal lender entered into an Amendment and Restatement Agreement relating to the modification of the bank loan. The facility was increased to $22,500,000 repayable by quarterly instalments of $1,125,000 commencing 31 December 2018. This arrangement has been replaced by a further arrangement after the balance sheet date, see note 36 for details.

An arrangement fee of $261,000 was payable on the amended agreement.

The loan is stated net of unamortised transaction costs amounting to $1,082,000 (2018: $1,328,000).

The loan sits within the books of INSPECS Limited and is therefore translated from US Dollars into the functional currency of that entity (being GBP), therefore leading to the exchange adjustment of $715,000 gain (2018: $1,152,000 loss).

The Group's bank loans and overdrafts are secured against the business assets of the Group. The principal bank loan is secured by way of a Group all asset debenture including the company and its UK subsidiaries, and a fixed charge over the Company's shareholding in INSPECS USA LLC.

The Group's finance lease liabilities are secured against the assets concerned.

The other loans of $nil (2018: $72,000) are unsecured as at the balance sheet date.

26. RIGHT OF USE ASSETS AND LEASES

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. Leases of plant & machinery, motor vehicles and leasehold properties generally have lease terms between three and five years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group's right of use assets are as follows:

	Leasehold properties $'000	Plant & Machinery $'000	Motor Vehicles $'000	Total $'000
COST				
At 1 January 2019	2,425	49	199	2,673
Additions	472	-	131	603
End of lease	-	(12)	(112)	(124)
Exchange differences	57	1	4	61
At 31 December 2019	2,953	38	221	3,213
DEPRECIATION				
At 1 January 2019	1,125	26	82	1,233
Charge for the year	667	9	59	736
Eliminated on end of lease	-	(12)	(112)	(124)
Exchange differences	47	1	4	51
At 31 December 2019	1,839	24	32	1,896
NET BOOK VALUE				
At 31 December 2019	1,114	14	189	1,317

	Leasehold properties $'000	Plant & Machinery $'000	Motor Vehicles $'000	Total $'000
COST				
At 1 January 2018	2,068	50	202	2,321
Additions	446	-	67	513
End of lease	-	-	(59)	(59)
Exchange differences	(89)	(1)	(12)	(102)
At 31 December 2018	2,425	49	199	2,673
DEPRECIATION				
At 1 January 2018	567	17	85	669
Charge for the year	596	10	64	670
Eliminated on end of lease	-	-	(59)	(59)
Exchange differences	(39)	(1)	(9)	(47)
At 31 December 2018	1,125	26	82	1,233
NET BOOK VALUE				
At 31 December 2018	1,300	23	116	1,439

Set out below are the carrying amounts of lease liabilities (included under interest bearing loans and borrowings and the movements during the period:

	2019 $'000	2018 $'000
At 1 January	1,401	1,618
Additions	678	513
Interest charge	31	59
Payments	(867)	(740)
Exchange adjustment	(14)	(49)
As at 31 December	1,229	1,401
Current	746	685
Non- current	483	716

27. CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

	1 January 2019 $'000	New Loans $'000	Repayments $'000	Reclassification between current and non-current $'000	Amortisation of capitalised arrangement fees $'000	New Leases $'000	Foreign Exchange on consolidation $'000	31 December 2019 $'000
Due in one year								
Other loans	(42)	–	72	(29)	–	–	–	–
Bank loans	(4,337)	(33)	4,733	(4,358)	(286)	–	53	(4,228)
Lease liabilities	(685)	–	836	(911)	–	–	13	(746)
Invoice discounting facility	(1,602)	(975)	–	–	–	–	–	(2,577)
Due after one year								
Other loans	(29)	–	–	29	–	–	–	–
Bank loans	(15,932)	(595)	–	4,358	–	–	–	(12,168)
Lease liabilities	(716)	–	–	911	–	(678)	–	(483)
Total liabilities from financing activities	**(23,343)**	**(1,603)**	**5,641**	**–**	**(286)**	**(678)**	**66**	**(20,202)**

Balances at the end of each reporting period are summarised in note 25, with balances above being shown under Interest bearing loans and borrowings on the balance sheet.

27. CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES CONTINUED

	1 January 2018 $'000	New Loans $'000	Repayments $'000	Reclassification between current and non-current $'000	Addition of arrangement fees, net of amortisation $'000	New Leases $'000	Foreign Exchange on consolidation $'000	31 December 2018 $'000
Due in one year								
Other loans	(713)	–	709	(47)	–	–	8	(42)
Bank loans	(21,711)	(3,750)	5,468	15,269	462	–	(75)	(4,337)
Lease liabilities	(584)	–	681	(831)	–	–	49	(685)
Invoice discounting facility	(1,461)	(141)	–	–	–	–	–	(1,602)
Due after one year								
Other loans	(76)	–	–	47	–	–	–	(29)
Bank loans	(663)	–	–	(15,269)	–	–	–	(15,932)
Lease liabilities	(1,034)	–	–	831	–	(513)	–	(716)
Total liabilities from financing activities	**(26,241)**	**(3,891)**	**6,858**	**–**	**462**	**(513)**	**(18)**	**(23,343)**

Balances at the end of each reporting period are summarised in note 25, with balances above being shown under Interest bearing loans and borrowings on the balance sheet. Movement in bank loans from balances due in one year, to balances due after one year is as a result of refinancing the bank, which provided an increased facility as well as an extended repayment schedule. Balances were classified as due in one year within the financial statements for the year ended 31 December 2017 following a breach of a loan covenant.

28. DEFERRED TAX

	Deferred tax asset $'000	Deferred tax liability $'000	Total $'000
On 1 January 2019	1,025	(2,886)	(1,861)
Credit/ (Charge) for the year:			
Share based payment	536	–	536
Utilisation of losses	(523)	–	(523)
Other	–	30	30
Deferred tax credit to profit and loss	13	30	43
Deferred tax credit to share option reserve	158	–	158
Exchange adjustment	25	(62)	(37)
On 31 December 2019	1,221	(2,917)	(1,696)

	Deferred tax asset $'000	Deferred tax liability $'000	Total $'000
On 1 January 2018	499	(3,025)	(2,526)
Credit/ (Charge) for the year:			
Share based payment	56	–	56
Losses carried forward	546	–	546
Utilisation of losses	(37)	–	(37)
Other	(5)	32	27
Deferred tax credit to profit and loss	559	32	591
Exchange adjustment	(33)	108	75
On 31 December 2018	1,025	(2,886)	(1,861)

In addition to the deferred tax assets and liabilities recognised, the Group has tax losses that arose in a subsidiary of $1,145,000 (2018: $1,109,000) that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose.

A deferred tax asset has not been recognised in respect of these losses as these losses may not be used to offset against taxable profits elsewhere in the Group and there is no evidence of these losses being utilised by the subsidiary in the future. If the Group were able to recognise all unrecognised deferred tax assets, the profit would increase by $187,000 (2018: $219,000).

29. DERIVATIVE LIABILITIES

On 9 February 2017 102,885 'B' Ordinary Shares and the C-share option were issued to private equity investors in return for an investment of $19.5 million into the Company.

The C-share option is exercisable upon (i) the completion of a relevant exit event, including an initial public offering; and (ii) cumulative returns to the private equity investors on their B Ordinary shares being below a minimum return amount prescribed in the option agreement. The minimum net return amount increases incrementally each year up to the ninth anniversary of the date of issue of the C-share option. Upon exercise of the option up from nil to 30,000 C Ordinary Shares may be issued, dependent on the actual return amount to B Ordinary Shares held by the private equity investors at the date of the relevant exit event. In the event that the minimum return is met at the date of the exit event, the C-share option would lapse and not become exercisable. For the two years ended December 2018, there was a further condition, whereby achievement of a threshold amount of earnings before interest, tax, depreciation and amortisation profit would have resulted in lapsing of the option, however this condition was not met. The C-share option is considered to meet the definition of a derivative over the Group's own equity instruments. It is recognised as a financial liability measured at fair value through profit or loss due to the variable number of C Ordinary Shares that could be issued. Valuations are undertaken at each period end, with the movement in fair value taken to profit or loss.

			Fair value measurement using		
As at:	Date of valuation	Total $	Quoted prices in active markets (Level 1) $	Significant observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $
31 December 2019	31 December 2019	3,536,000	–	–	3,536,000
31 December 2018	31 December 2018	6,296,000	–	–	6,296,000

29. DERIVATIVE LIABILITIES CONTINUED

In determining the fair value of the derivative, the Directors engaged external valuation specialists, however the Directors are ultimately responsible for the values recorded for the derivative liability. Valuations were determined using a Monte Carlo model. The valuation includes reference to grant date valuation and performance of the Group subsequently, as well as valuation at the end date of the arrangement (enterprise value). Assumptions have been used in preparing this valuation which contain estimations of the expected date of vesting and exercise of the option, equity volatility using comparable listed peers, and enterprise value of the Group (where enterprise value is the sum of the Company's equity value and borrowings less cash balances). The valuation is most sensitive to the assumption of the Group's enterprise value. The sensitivity of the C-share option value to changes in enterprise value is summarised as follows:

As at 31 December 2019		As at 31 December 2018	
Movement in enterprise value %	Increase/(decrease) in derivative valuation $	Movement in enterprise value %	Increase/(decrease) in derivative valuation $
+20	(3,123,000)	+20	(670,000)
+10	(2,104,000)	+10	(38,000)
-10	2,581,000	-10	(447,000)
-20	3,584,000	-20	(1,205,000)

An increase in enterprise value decreases the value of the derivative due to the reduced chance of the options exercising. Likewise, a decrease in the enterprise value increases the chance of the option exercising and therefore increases the valuation of the derivative.

30. TAX PAYABLE

	2019 $	2018 $
Corporation tax payable	377	529
Uncertain tax liabilities	2,235	1,774
	2,612	2,303

The Group has identified it is exposed to uncertain tax positions in relation to tax authorities challenging that local subsidiaries are not being remunerated under historical transfer pricing arrangements or that the Group has created a taxable presence and asset taxing rights over profits they consider to be allocable in the given territory. The Group considers that it is probable that these uncertain tax positions will result in a future outflow of funds to one or more local tax authorities and has recognised current tax liabilities for these uncertainties, as set out below:

	$
Acquired on acquisition of subsidiary	1,074
Charge during the year	270
As at 31 December 2017	1,344
Charge during the year	430
As at 31 December 2018	1,774
Charge during the year	461
As at 31 December 2019	2,235

Due to the range of potential outcomes that the Directors have identified, these liabilities have been measured using an expected value methodology. Key assumptions underpinning the expected value calculations, in addition to relative probabilities of such tax liabilities crystallising in one or more of the jurisdictions in which the Group operates, are (i) the tax periods over which tax authorities would seek to challenge the Group's transfer pricing or tax domicile arrangements; and (ii) the quantum of interest and penalties that would be applicable in the event that the Group was found to be liable for tax amounts by one or more tax authorities.

It is reasonably possible, on the basis of the Directors' existing knowledge, that different outcomes to the assumptions set out above, within the next financial year, could require a material adjustment to the carrying amount of the uncertain tax liabilities.

The Group plans to perform a more detailed review of its international tax arrangements, both historically and prospectively, that is expected to conclude in 2020. However, the Directors, on the basis of their existing knowledge, do not expect the outcome of this exercise to be materially different to the liability recognised, except for an incremental increase in the uncertain tax liability solely due to the passage of time. In the eventuality that any outcome is concluded at the higher end of the outflow range, then the Company would implement mitigating actions.

31. CONTINGENT LIABILITIES

The Company's UK subsidiary Algha Group Limited (registered number 03240950) has taken advantage of the audit exemption under Section 479A of the Companies Act 2006 for the year ended 31 December 2019. Consequently, the Company has provided the statutory guarantee in relation to the subsidiary's liabilities. The third-party liabilities of the subsidiary at 31 December 2019 amounted to $295,000 (2018: $666,000).

32. ULTIMATE CONTROLLING PARTY

Throughout the year and as at the balance sheet date, the directors consider R B C Totterman to be the ultimate controlling party. Since the balance sheet date, a share for share exchange has occurred with INSPECS Group plc, which has since listed on the AIM market of the London Stock Exchange (see note 36). As a result, the Ultimate Controlling Party is governed by those with a significant shareholding (see shareholders with ownership exceeding 3% as shown in the Directors' Report).

33. RELATED PARTY DISCLOSURES

The Group has taken advantage of the exemption, not to disclose related party transactions with wholly owned subsidiaries within the Group. Note 17 provides information about the Group's structure, including details of the subsidiaries. Below are transactions and balances with related parties that are not owned.

a) Farleigh Travel Limited

A Director of the company, Mr R Totterman, is also a shareholder and director of Farleigh Travel Limited, a company incorporated in England & Wales. On 31 December 2019 the company was owed $1,000 (2018: $1,000) in respect of the above. This loan is interest free and is repayable on demand.

b) Kelso Place LLP

Mr R Totterman and Mr M Totterman are the designated members of Kelso Place LLP. During the year the Company incurred expenditure of $nil (2018: $14,000) on behalf of Kelso Place LLP. During the year Kelso Place LLP charged INSPECS Limited $160,000 (2018: $161,000) as rent. At the year end the company owed Kelso Place LLP $247,000 (2018: $676,000) in respect of the above.

c) Nano Tech Inc Limited

Mr R Totterman is the controlling shareholder of Nano Tech Inc Limited. On 31 December 2019 the Company was owed $nil (2018: $17,000) in respect of the above Company. This loan is interest free and is repayable on demand and is shown within other debtors.

33. RELATED PARTY DISCLOSURES CONTINUED

d) Thorne Lancaster Parker

Mr C D Kay, a Director of the Company is also a partner in Thorne Lancaster Parker. During the year the partnership charged INSPECS Limited $201,000 (2018: $56,000) in respect of professional services provided. On 31 December 2019, the Company owed Thorne Lancaster Parker $11,000 (2018: $3,000) in respect of the above and this is shown within trade creditors.

e) Key management personnel

The key management personnel of INSPECS Holdings Limited at 31 December 2019 are R B C Totterman, M R A L Lefebvre and C D Kay. The total employee benefits payable in the period were $217,000 (2018: $181,000), $792,000 (2018: $746,000) and $138,000 (2018: $77,000) respectively. In addition, share based payment charges totalled $539,000 in relation to these individuals.

f) Directors

J J Brade is a member of Harwood Capital IV LLP which charged the Group monitoring fees of $23,000 (2018: $32,000) during the year. No balance was outstanding at 31 December 2019 (2018: $Nil). C M J Hancock is a partner of Farm Street Partners which charged the Group monitoring fees of $15,000 (2018: $9,000) during the year. No balance was outstanding at 31 December 2019 (2018: $Nil). N P D Winks is a member of Way Point Change LLP which charged the Group monitoring fees of $11,000 (2018: $18,000) during the year. $nil (2018: $2,000) was outstanding at the year end.

34. SHARE BASED PAYMENTS

Certain employees of the Group have been granted options over the shares in INSPECS Holdings Limited. The options are granted with a fixed exercise price, are exercisable between one and ten years after the date of grant.

Except for the options granted on 1 February 2017, all other options granted to employees require the employees to remain in employment with the Group until the options become exercisable.

In relation to the options granted on 1 February 2017, these options were granted to a Director of the Company and there were no exercise conditions applying to the option. The options will lapse on the tenth anniversary of the date of grant.

The Company recognises a share-based payment expense based on the fair value of the awards granted, and an equivalent credit directly in equity to share option reserve. On exercise of the shares by the employees, the Company is charged the intrinsic value of the shares by INSPECS Holdings Limited and this amount is treated as a reduction of the capital contribution, and it is recognised directly in equity.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price per option $	Number of Share options
26 October 2012	26 October 2022	4.47	5,175
31 March 2014	31 March 2024	4.49	17,300
08 January 2017	08 January 2027	4.21	1,380
01 February 2017	01 February 2027	0.13	13,000
10 May 2019	27 February 2020	175.00	13,770
11 October 2019	Between 27 February 2020 and 1 July 2022	175.00	8,040
12 December 2019	27 February 2020	175.00	300

The option weighted average exercise price is $67.46 per share. Options were valued at the date of grant.

The expense recognised for employee services received during the year is shown in the following table:

	2019 $'000	2018 $'000
Expense arising from equity-settled share based payment transactions	1,917	15
Total expenses arising from share based payment transactions	**1,917**	**15**

Movements during the year

The following tables illustrates the number and weighted average exercise price ("WAEP") of and movements in share options during the year:

	2019 Number	2018 Number
At 1 January	36,855	36,855
Granted during the year	22,570	–
Forfeited during the year	(460)	–
As at 31 December	58,965	36,855

WAEP	2019 $	2018 $
At 1 January	2.94	2.94
Granted during the year	65.88	–
Forfeited during the year	(1.37)	–
As at 31 December	67.46	2.94

The following table lists the inputs to the models used for the valuation of the options issued during the year.

	Options granted 10 May 2019	Options granted 11 October 2019	Options granted 12 December 2019
Number of options granted	14,230	8,040	300
Dividend yield (%)	1.5%	1.0%	1.0%
Expected volatility	32.4%	30.0%	31.5%
Risk free interest rate	2.37%	1.69%	1.55%
Exercise price	$175.00	$175.00	$175.00
Ordinary Share price	$303.09	$310.00	$371.19
Expected life of share options/ SARs (years)	1 year	1-3 years	1 year
Model used		Black Scholes option analysis	

The determination of the risk-free interest rate has been based on the US Sovereign Curve for each grant made during 2019.

35. FINANCIAL RISK MANAGEMENT

The financial assets of the Group comprise trade receivables, deposits and other receivables, and cash and cash equivalents which are categorised as financial assets at amortised cost. The carrying amounts of these financial assets are the amounts shown on the consolidated statement of financial position or in the corresponding notes to financial statements.

The financial liabilities of the Group comprise trade payables, bank loans, other loans, financial liabilities included in other payables and accruals, and lease liabilities which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the consolidated statement of financial position or in the corresponding notes to financial statements.

The fair values of the financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions. At the end of the reporting period, the carrying amounts of the financial assets and financial liabilities of the Group approximated to their fair values.

The Group's principal financial instruments comprise of cash and cash equivalents, bank loans and other loans. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk arises in the normal course of its business. The Board of Directors reviews and agrees policies to analyse and formulae measures to manage each of these risks which are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonable possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows based on the outstanding loan to the bank as at 31 December 2019:

	Loan balance $	Increase/decrease in basis points	Effect of profit before tax $
2019			
US Dollar	16,875,000	50 BP	84,000
2018			
US Dollar	21,375,000	50 BP	102,000

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group manages its foreign currency risk by selling and buying in the same currencies where possible but does not enter into any hedging transactions or derivatives. The ability of the Group to organise its sales and purchases in similar currencies allows a natural hedge in some circumstances against currency fluctuations.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonable possible change in the Pound Sterling (GBP), Chinese Renminbi (RMB) and Macau Pataca (MOP) exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). These currencies have been selected for sensitivity analysis as they represent the local currencies covering the majority of the trading locations of the Group. There is no impact on the Group's equity except on the retained profits.

	Increase/(decrease) in exchange rate %	Increase/(decrease) in profit before tax $
2019		
If the US$ weakens against the RMB	5	(36,000)
If the US$ strengthens against the RMB	(5)	36,000
If the US$ weakens against the MOP	5	(446,000)
If the US$ strengthens against the MOP	(5)	446,000

The Group holds a USD denominated loan within an entity with a GBP functional currency. This therefore derives an exchange adjustment on borrowings which passes through the P&L. If the US$ weakens against the GBP by 5%, this would lead to a decrease in profit before tax of $816,000.

Credit risk

The Group trades only with related companies and third parties who have been assessed via a Dunn and Bradstreet credit check. Receivables balances are monitored on an ongoing basis and the Group's history of credit losses of trade receivables are not significant. The credit risk of the Group's other financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets.

The Group maintains regular control over its trade receivables and normal terms are between 30 and 60 days across the Group. The percentage of debtors outside of these terms is shown in the analysis below.

	2019 $'000	2018 $'000	Increase/(decrease) $'000
Trade receivables			
Current	8,115	8,034	81
Past due 1-30 days	1,254	3,416	(2,162)
Past due 31-60 days	158	464	(306)
Past due 61+ days	288	291	(3)
Total	**9,815**	**12,205**	**(2,390)**
Percentage over terms	**17%**	**34%**	

Raw material costs

The Group subcontracts with third party suppliers on fixed terms and thus any immediate commodity risk is mitigated in the short term on these transactions. On the Group's own manufactured products, raw materials in 2019 accounted for 43% of cost of sales (2018: 43%). As a result, increases in raw material costs have a limited effect on the overall cost of sales. Over the long term, the Group can also mitigate the loss of any margins through an increase in its selling price.

Cash deposits

The Group invests its excess cash in either weekly or monthly deposits with either HSBC or OCBC. The Group considers these deposits to carry a very low risk and typically return an interest rate of around 1.5%.

35. FINANCIAL RISK MANAGEMENT CONTINUED

Liquidity risk

For the management of the liquidity risk, the Group monitors and maintains a sufficient level of cash and bank balances deemed adequate by management, along with utilising an invoice discounting facility, to finance the Group's operations and mitigate the effects of fluctuation in cash flows. Management reviews and monitors its working capital requirements regularly.

The Group reviews on a monthly basis the cash generation and the requirement for capital repayments on the bank loan in its detailed working capital model to ensure sufficient liquidity for operating purposes across the Group.

The table below summarises the gross undiscounted cashflows of the Group's non-derivative financial liabilities:

	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Total $'000
Bank overdrafts (including invoice discounting facility)	2,670	–	–	2,670
Interest bearing loans and borrowings (excluding items below)	4,536	4,536	8,418	17,490
Lease liabilities	838	418	87	1,343
Other financial liabilities	476	–	–	476
Trade and other payables	10,192	–	–	10,192

The table below summarises the maturity profile of the Group's derivative financial liabilities:

	Less than 1 year $'000	1 to 5 years $'000	2 to 5 years $'000	Total $'000
Derivative liability relating to options to subscribe for C equity shares	3,536	–	–	3,536

Capital risk management

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

To meet these objectives, the Group reviews the budgets and forecasts on a regular basis to ensure there is sufficient capital to meet the needs of the Group.

The capital structure of the Group consists of shareholders' equity as set out in the consolidated statement of changes in equity. Since the balance sheet date, the Parent Company of the Group has been admitted onto the London Stock Exchange, which resulted in a share issue and funds therefore being raised (see note 36). All working capital requirements are financed from existing cash resources and borrowing.

The loan covenant ratios achieved by the Group, and required by the bank, as at the end of each year were as follows:

	2019		2018	
	Actual	Required	Actual	Required
Leverage	0.8	Below 2.0	1.6	Below 2.0
Debt service cover	2.1	Above 1.1	1.1	Above 1.1
Interest cover	12.1	Above 5.0	12.7	Above 5.0

36. POST BALANCE SHEET EVENTS

Since the balance sheet date, but before these financial statements were approved the following have occurred, which are material in nature:

- On 25 April 2019, INSPECS Group Limited was incorporated (company number 11963910). with an issued share capital of £1.00. On the 21 November 2019 the share was subdivided into 100 shares of 10 pence each. On the 14 January 2020 the Company was re-registered as INSPECS Group PLC and in a share for share exchange on that date acquired the entire share capital of INSPECS Holdings. The financial statements of INSPECS Group PLC are shown in appendix 1.
- On 27 February 2020 INSPECS Group PLC was admitted to the London Aim market and raised $30m of primary funds pre-IPO expenses. On that date the Group entered into a new multi-currency RCF facility with HSBC allowing it to drawdown up to $25m. At the date of this report, the Group has drawn $17m and has undrawn facilities of $8m.
- On 16 January 2020, the C-share Option shares was modified through a revised agreement between the Company and the holders of the Options, whereby the number of C Ordinary Shares that may be issued upon exercise is dependent on the valuation of the Group at the point of its admission to the AIM market of the London Stock Exchange. The agreement set out that up to 30,000 C Ordinary Shares may be issued at the point of an exercise of the option, dependent on the share price achieved upon admission. In the event that the Company did not admit to AIM by 31 March 2020, the revised agreement would lapse, with the original C Option arrangement returning to force. The Group was admitted to the AIM market in advance of this date, with 1,671,157 C Ordinary Shares being issued due to the share price achieved.
- Since the year end the Group has been affected by the COVID-19 pandemic, such that many of its customers' retail outlets around the globe are closed. The Group has therefore suffered a reduction in trading in March and April 2020. The Group's primary concern has been the safety of its employees internationally and the safety of its manufacturing facilities. COVID-19 initially affected production in China with the Torkai factory closed for two weeks. Both our major manufacturing plants in China and Vietnam are operating at a reduced level as many of the distribution hubs of the major global chains and many retail outlets are closed.
- The Group has taken steps to conserve cash and reduce operating costs and has implemented a four-day working week, amongst other cost and operational savings. The Board has reduced its salaries and the executive team has reduced its salary costs by 60%. The Group has continued to produce inventory for confirmed orders so that shipments can begin as and when distribution hubs reopen.
- The Directors have concluded that COVID-19 is a non-adjusting post balance sheet event but have considered what the impact of the pandemic could be on the balances in the balance sheet at the year-end. Upon review, the only balance that could be impacted by a deterioration in future performance and the drop in trading in March and April is goodwill. It is not possible to quantify the impact of COVID-19 on goodwill at the date of signing the financial statements.
- The Group has carried out stress testing as a result of COVID-19 as described in the accounting policies note (see note 2) to enable the Directors to conclude that the Group can continue as a going concern for the foreseeable future.

REPORT OF THE DIRECTORS

for the period ended 31 December 2019

The Directors present their report with the financial statements of INSPECS Group PLC (previously INSPECS Group Limited) for the period ended 31 December 2019.

RESULTS AND DIVIDENDS

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company was incorporated but did not trade during the period. Since the period end, the Company has become the ultimate parent undertaking of INSPECS Holdings Limited (see note 5). No dividends will be distributed for the period ended 31 December 2019 as there are no distributable reserves.

DIRECTORS

The Directors shown below have held office during the period from incorporation on 25 April 2019 to the date of this report, or as otherwise noted:

R B C Totterman (appointed 21 November 2019)
C D Kay (appointed 10 January 2020)
C M J Hancock (appointed 10 January 2020)
Lord I C Maclaurin (appointed 10 January 2020)
R C Peck (appointed 10 January 2020)
B R Ally (resigned 21 November 2019)

POST BALANCE SHEET EVENTS

Events which have occurred since the balance sheet date, but that are considered material to the users of these financial statements, have been included within note 5.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Group Strategic Report, the Report of the Directors 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 International Financial Reporting Standards as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the Group 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;
- 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 and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

AUDITORS

EY have indicated their willingness to be re-appointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

On behalf of the board:

C D Kay
Director
12 May 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INSPECS GROUP PLC (PREVIOUSLY INSPECS GROUP LIMITED)

OPINION

We have audited the financial statements of INSPECS Group PLC (previously INSPECS Group Limited) for the period ended 31 December 2019 which comprise the Balance Sheet and the related notes 1 to 5, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

EMPHASIS OF MATTER – EFFECTS OF COVID-19

We draw attention to Note 5, which notes that INSPECS Group plc has become the Parent Company of INSPECS Holdings Ltd in a share for share exchange and is the listed entity on the Alternative Investment Market. We draw attention to note 2 of the INSPECS Holdings financial statements, which describes the economic and social consequences the Company is facing as a result of COVID-19 which is impacting supply chains, consumer demand and personnel being able to access offices. Our opinion is not modified in respect of this matter.

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 Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

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

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 the other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on page 70, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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.

Ernst & Young LLP

John Howarth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

12 May 2020

INSPECS GROUP PLC (REGISTERED NUMBER: 11963910)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 £
CURRENT ASSETS		
Cash and cash equivalents	3	1
TOTAL ASSETS		1
SHAREHOLDERS' EQUITY		
Called up share capital	4	1
TOTAL EQUITY AND LIABILITIES		1

No income statement movements occurred between the incorporation of the Company and the balance sheet date. As such, no Income Statement is presented.

The financial statements were approved by the Board of Directors on 12 May 2020 and were signed on its behalf by:

R B C Totterman
Director

C D Kay
Director

The notes on pages 91 to 137 following form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

1. GENERAL INFORMATION

INSPECS Group PLC, previously INSPECS Group Limited as at the balance sheet date, is incorporated in England and Wales. The address of the Company's principal place of business is 7-10 Kelso Place, Upper Bristol Road, Bath BA1 3AU.

The principal activity of the Company is that of a holding company.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

INSPECS Group PLC was incorporated for the purpose of initial public offering (IPO) of the INSPECS Group onto the AIM market of the London Stock Exchange. The share for share exchange of the share capital of INSPECS Holdings Limited occurred after the balance sheet date (see note 5) and therefore the financial position of the incorporated company as at 31 December 2019 is presented.

Taking account of the dynamic situation unfolding with COVID-19, the Directors have adopted the going concern basis in preparing the financial statements. In making this assessment, the Directors have taken into account the post balance sheet events as disclosed in note 5.

3. CASH AND CASH EQUIVALENTS

	2019 £
Cash in hand	1

4. CALLED UP SHARE CAPITAL

Authorised and issued share capital as at the balance sheet date:

Number:	Class:	Nominal value	2019 £
100	Ordinary	£0.10	1

5. POST BALANCE SHEET EVENTS

Since the balance sheet date, but before these financial statements were approved the following have occurred, which are material in nature:

- On the 14 January 2020 the Company was re-registered from INSPECS Group Limited to INSPECS Group PLC and in a share for share exchange on that date acquired the entire share capital of INSPECS Holdings Limited.
- On the 27 February 2020 INSPECS Group PLC was admitted to the London Aim market and raised $30m of primary funds pre-IPO expenses.
- The COVID-19 pandemic is a non adjusting post balance sheet event for the Company. As a result of the share for share exchange this Company became the holding Company of the INSPECS Holdings Group after the year-end. Therefore the impact of COVID-19 on this Group as disclosed in note 2 of the INSPECS Holdings Limited financial statements is relevant to the assessment of this Company as a going concern.

COMPANY INFORMATION AND ADVISERS

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LEGAL ADVISERS TO THE COMPANY
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AUDITORS
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annual report 2019

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