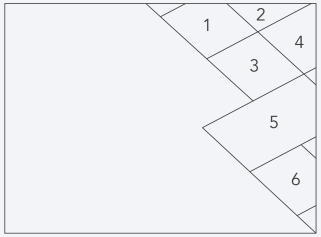
INSPECS GROUP PLC

INSPECS Group plc
Annual Report & Accounts 2022

Always looking forward



Cover
1. L.A.M.B.
2. CAT
3. BOTANIQ®
4. O'Neill
5. Titanflex
6. Barbour

HIGHLIGHTS

INSPECS is a leading provider of eyewear solutions to the global eyewear market.

From the largest optical chains to individual consumers we offer eyewear, lenses, combined packages and low vision optical aids. The Group has continued to expand, and our work in 2022 is already creating new opportunities in distribution and growth prospects for 2023.

Revenue

$248.6m

2022	$248.6m
2021	$246.5m
2020	$47.4m

Adjusted Underlying EBITDA

$19.2m

2022	$19.2m
2021	$27.6m
2020	$5.8m

Gross margin

49.2%

2022	49.2%
2021	47.0%
2020	43.3%

Loss after tax

$(7.8)m

2022	$(7.8)m
2021	$(5.4)m
2020	$(8.9)m

Eyewear units sold

10.7m

2022	10.7m
2021	10.4m
2020	4.9m

Cash flows from operating activities

$12.4m

2022	$12.4m
2021	$24.9m
2020	$0.4m

Basic and diluted loss per share

$(0.08)

2022	$(0.08)
2021	$(0.05)
2020	$(0.13)

Adjusted PBT diluted EPS

$0.08

2022	$0.08
2021	$0.17
2020	$0.04

Strategic Report

Our Strategy
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Day

Environmental, Social and Governance
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Radley

CHAIRMAN'S REVIEW

In my first review as Chairman, I would like to start by thanking Lord Ian MacLaurin for his help and support during his tenure as INSPECS Group's Chairman. Ian's long career and extensive experience of the business world supported us through our IPO and helped us navigate the turbulent COVID waters.

Robin Totterman, Chairman

Ian kindly extended his tenure with us from June until 1 December 2022, when Richard Peck replaced me as Chief Executive Officer, and I assumed the role of Executive Chairman. Along with the rest of the Board, I am deeply grateful for Ian's immeasurable contribution.

Board changes

I am delighted that Richard Peck, an industry veteran who joined the INSPECS Board as a Non-Executive Director following our IPO in February 2020, assumed the role of CEO in December 2022. Richard's knowledge of the Group, along with his deep understanding of the sector, has allowed him to hit the ground running.

I am pleased that Hugo Adams and Shaun Smith joined as Non-Executive Directors in December 2022. Hugo's significant experience in the retail sector and a proven track record of delivering growth for purpose-led consumer brands, paired with Shaun's extensive plc experience in finance with international manufacturing and retail groups, will be invaluable through the next stage of the Group's growth.

Navigating challenging market conditions

2022 was, in many ways, another extraordinary year. We had to contend with the well-documented challenging business environment and experienced supply chain issues driven by ongoing COVID restrictions, rising energy prices and general scarcity of raw materials. In addition, the macroeconomic outlook and consumer confidence most notably deteriorated in Germany, a key territory for us, which is reflected in the Group's order intake being down on the previous year.

However, I am pleased to say the Group was able to raise its Gross Profit Margin from 47.0% in 2021 to 49.2% in 2022 due to increased pricing on new product and continued focus on the control of its supply chain costs.

CHAIRMAN'S REVIEW CONTINUED

Our UK lens business, Norville, required more time to turn the business into a solid performing addition to the Group. As a result, management has implemented a cost saving programme at the factory that helped to narrow losses in Q4. We expect the losses at Norville to reduce significantly in 2023, but its engineering excellence continues to assist our business as a whole.

Investment progress

Construction of the Group's new factory in Vietnam will commence in the second half of 2023. Planning and development remains on-going for the factory in Portugal. We expect to see significant increases in our own factory-made products in 2024, driving growth for the medium term.

INSPECS continues to develop cutting-edge products and technology with our innovations arm, Skunkworks, driving growth throughout the Group, and we expect to see ongoing positive results from the team's hard work. Our design teams, situated in key locations across the globe, keep our offerings fresh and diverse.

Outlook

Following a year of consolidation, we now have a solid platform on which to build. The outlook for the Group and the eyewear sector remains positive despite the many headwinds we have encountered throughout the year. We continue to be mindful of global economic forces, as well as uncertain consumer demand, particularly in Europe, but feel well placed to provide attractive products at competitive prices. The balance of our worldwide presence, particularly our US operations, bolsters our positive outlook. We continue to invest in the business to enable the Group to deliver further growth.

Robin Totterman
Chairman

03 May 2023

+1%
Revenue growth

+6%
Gross profit growth

Top right: Brendel

Bottom right:
Tura Product Development

BUSINESS OVERVIEW

Our strategic aim is to build a highly respected global eyewear company that delivers long-term value for our stakeholders.

MISSION

To deliver a highly profitable and globally aligned eyewear group that creates a dynamic platform for growth, through our commitment to product, innovation, people and planet to 2030 and beyond.

To offer the best affordable, desirable and innovative eyewear.

Achieved through our core values

Purpose
We aspire to be a first class provider of global vision related solutions

Professionalism
We will act with professionalism and Integrity in all our business activities

Customer Focus
We expect to meet all our customers' eyewear needs

Excellence
We will continue to evaluate how we can improve on what we do

Growth
We will underpin our growth by expanding the capability and synergies of our core business units

Community
We will support our environment and the communities where we operate

Leadership
We endeavour to inspire our colleagues and ensure there are opportunities for our employees to thrive

WHO WE ARE

We are vertically integrated from design, to frame and lens manufacturing, sales, marketing and distribution.

CAT

INSPECS
GROUP PLC

Design, Brands, Sales, Marketing and Distribution

ESCHENBACH

INSPECS LTD

TURA

BO DE DESIGN

EGO eyewear

INSPECS USA

Eyewear and Lens manufacturing

KILLINE

KUDOS

Norville

COMPETITIVE EDGE

- Strong key account customer base
- Strong independent customer base
- Manufacturing capabilities of lenses and frames
- 28 licensed brands and 18 proprietary brands
- Worldwide distribution
- Range of 'low vision aid' products
- Patented intellectual property (IP)
- Robust network of talented employees
- Dedicated research and development team

OUR BUSINESS MODEL – WHAT WE DO

Design

Our design teams around the world follow the latest trends in the market and get inspiration from a variety of industries, including consumer fashion and beyond.

Our design teams are principally in the UK, USA, Germany, Portugal and Sweden.

Our drivers of success

Robust network of talented employees

Dedicated research and development team

5
Design studios

35
Designers

Our growth opportunities

Maximising Group resources and expertise

Research and development department developing innovative new eyewear channels such as gaming and specialist lenses

Savile Row Gold

Manufacture

Our product development teams work with our in-house design teams before passing designs on to our production teams. The Group now has manufacturing plants in Vietnam, China, UK and Italy.

Our drivers of success

Manufacturing capabilities of lenses and frames

5.3m
Frames supplied by Group factories

Our growth opportunities

Further expansion of our manufacturing capabilities


Eschenbach Lab

Market

Our marketing teams work in tandem with brand owners and brand managers to bring products to the market.

Our drivers of success

Blend of proprietary brands and licensed brands

Patented intellectual property (IP)

Range of 'low vision aid products'

28
Licensed Brands

18
Proprietary Brands

Our growth opportunities

Travel retail markets around the globe and smart eyewear


Mini

Distribute

Through our network of 75,000 optical and retail outlets across 80 countries our products are sold both in well-known high street chains and independent opticians globally.

Our drivers of success

Strong key account customer base

Strong independent customer base

10.7m
Distributed eyewear units

Our growth opportunities

Use our worldwide distribution platform to increase penetration of our brand portfolio

Increased distribution in Asian Pacific markets


Eschenbach Warehouse

LICENSED BRAND PORTFOLIO

Targeted consumer brands are selected with potential to grow market share in a geographical region or for broader global distributions. We are specialists in working with brand owners in partnership, to help deliver growth for both parties.

Barbour	VIKTOR&ROLF VISION	Superdry®
O'NEILL	TED BAKER® LONDON	BARBOUR INTERNATIONAL
CAT	Marc O'Polo	L.A.M.B.
MINI	LIBERTY.	RADLEY LONDON
HENRI-LLOYD	LYLE & SCOTT EST 1874	BUFFALO DAVID BITTON
comma,	DAY BIRGER ET MIKKELSEN	gx
FREE COUNTRY	GEOFFREY BEENE	LULU GUINNESS LONDON
Valerie	IvanaHelsinki	TURA by LARA SPENCER
KATE YOUNG FOR Tura EST. 1938	TALBOT RUNHOF EYEWEAR	ZUMA ROCK

O'Neill

PROPRIETARY BRANDS

Targeting specific market segments with our proprietary brand offer, we elevate group-owned patents and manufacturing techniques by building a brand around them and successfully taking them to market.

BOTANIQ® Sustainable eyewear. Thoughtfully made.

TITANFLEX Flexibler. Robuster. Leichter.

HUMPHREY'S eyewear

TURA

SAVILE ROW® HANDMADE IN ENGLAND

BRENDEL EYEWEAR

Hardy Amies

JOS. ESCHENBACH

FREIGEIST german eyewear

fineline

HERO® FOR MEN

PUCCINI® eyewear

EYESTUFF®

ZOFFANI®

OCEANBLUE®

episode

ZWO" FOR MEN

THE OK FRAME CO.

Titanflex

OUR STRATEGY

Growth opportunities

INSPECS’ continued growth confirms its position as one of the world’s leading eyewear companies.

Our model to achieve sustained and balanced growth for the benefit of all stakeholders is based on six main drivers.


Eschenbach Product Development

1. Use our worldwide distribution platform to increase penetration of our brand portfolio

- The Group has successfully taken Superdry, Botaniq, O’Neill and Savile Row Titanium onto our worldwide distribution network
- Further cross brand integration planned

2. Increase distribution in Asian Pacific markets

- 142% increase in sales across Asia to $8.0m in 2022 from $3.3m in 2021
- Targeted increases and development planned

3. Travel retail markets around the world

- Significant growth opportunities have been identified and pursued post COVID around the globe


Humphrey’s

4. Maximising Group synergies, resources and expertise

- Consolidation of offices and warehouses in Asia and the UK completed in FY22
- Further targeted consolidation synergies

5. Further expansion of our manufacturing capacities

- Third Vietnam facility to begin construction in the second half of 2023, increasing frame capacity in Vietnam to 12 million
- Production targeted for major retailers and eyewear distributors
- Portugal plant under negotiation

6. Research and development department developing innovative new eyewear channels

- First commercial revenues generated FY22
- Targeting significant growth

CHIEF EXECUTIVE OFFICER'S REVIEW

Having been on the Board of INSPECS as a Non-Executive Director since IPO, I was delighted to assume the role of CEO on 1 December 2022. This was certainly a year of two halves in which the Group delivered a strong first half followed by a weaker second, owing to challenging market conditions.

Richard Peck, CEO

Despite these challenges, we are pleased that we delivered total revenue of $248.6 million and adjusted underlying EBITDA of $19.2 million.

During the first half of the year, we saw a good financial performance, with increases in both revenue and profit as a result of the ongoing integration of the Group's businesses and increased distribution reach around the globe. However, the second half of the year was marked by a number of external challenges, including weakened market confidence in one of our primary markets, Germany, as a result of the conflict in Ukraine. We also faced significant headwinds from exchange rate fluctuations, as well as increases in raw materials, energy and shipping costs. In addition, the continuing COVID-19 restrictions mainly in China and Vietnam presented ongoing challenges to our manufacturing operations.

Lenses

Our lens business suffered a decrease in external revenue from $7.5m in 2021 to $4.3m in 2022, a reduction of 43%. Towards the end of 2021, the Group relocated its Norville lens manufacturing business from its old site at Magdala Road to a new state-of-the-art facility in Quedgeley, Gloucester. Whilst the construction of the new factory was completed on time and within budget, the relocation of the sensitive equipment from the old factory to the new one caused significant disruption in manufacturing capability, which in turn caused operating losses in the lenses segment to increase significantly, from $2.7m in 2021, to $5.0m in 2022. Our first priority was to calibrate the machinery and ensure that the quality and lead time of the product came back within industry standards, and this was achieved in the latter half of 2022. During Q4 of 2022, our focus then turned to increasing our revenue and operational efficiency. This resulted in reduced losses in Q4 of 2022 which are expected to significantly reduce in 2023.

CEO'S REVIEW CONTINUED

Frames and Optics

Our frames and optics distribution business increased its external revenue from $211.5m in 2021 to $214.7m in 2022, growth of 1.5%.

UK: Our UK markets performed well in the second half of 2022. INSPECS' strategy of replacing third-party distributors with own Group worldwide sales offices accelerated during the year and we expect this to continue to improve sales for the Group. The UK market remains positive so far in 2023 and we are continuing to increase our product distribution.

Europe: Our European markets performed strongly in the first half of 2022. Towards the end of June 2022, we suffered headwinds principally in relation to a fall in consumer confidence which led to a reduction in our order intake in the latter half of 2022. Our cost base in Europe was also materially affected by the rapid decrease in the Euro against the Dollar which affected the operational performance of the business.

North America: The US market remained stable in 2022. Our US companies are well positioned to increase revenue of Group products throughout 2023 and the eyewear market remains positive so far in 2023. Our US businesses are now fully engaged in selling leading brands such as Superdry, Radley and O'Neill, which were not available to them in earlier years.

Asia and Australia: In 2022, the Group continued to increase its distribution in Asian markets from a relatively low level, which was supported by the appointment of new agents for the Middle East. We saw increased growth in Australia and New Zealand, the reopening of our South Africa markets, and increased distribution in the Philippines. In 2023, the Group will continue to actively target further growth opportunities in this expanding market.

Wholesale

Our wholesale business which consists of our manufacturing facilities in Vietnam, China and Italy has had a good performance in 2022 with external revenue growth of 8%. We continue to invest in our facilities and expect construction of our new manufacturing facility in Vietnam to commence in the second half of 2023. Planning and development remains on-going for the factory in Portugal. These new facilities will allow us to increase production capacity, improve efficiency and bring new products to market more quickly. They will also be an important part of our efforts to expand into new markets and meet the growing demand for our products and services. The Board remains confident in the long-term strategic importance of these new facilities to our future growth and looks forward to works commencing.

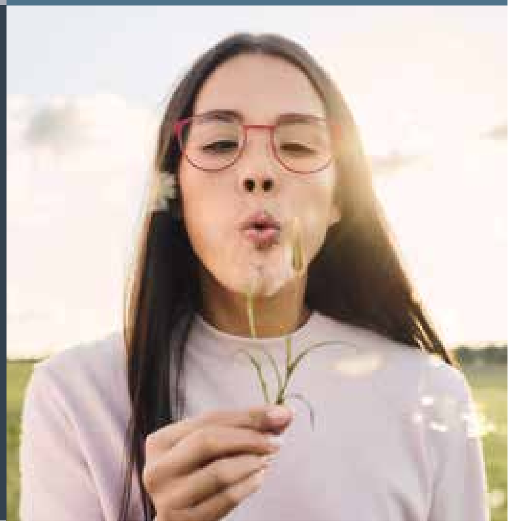
Acquisitions

The Group made strong progress in integrating its most recent acquisitions, EGO Eyewear and BoDe Design, into the Group and putting our new brands to work across the organisation. In the first half of 2022, the Group continued with its acquisition strategy and identified further opportunities. This incurred significant legal and due diligence costs, however, due to the slowdown in our European markets and adverse currency exchange movements, together with continued losses at Norville, the Board took the decision to pause all acquisition processes in the second half of 2022. The Board continues to assess acquisition targets that would complement the Group's existing portfolio and further enhance its proposition in the market.

+3%
Eyewear units sales growth

Top: Caterpillar
Middle left: Glemaud
Bottom left: Brendel
Bottom right: BOTANIQ®

+2.2pts
Gross profit margin growth



Top left: Savile Row Gold

Bottom right: Jos

CEO'S REVIEW CONTINUED

Research and development

Skunkworks, our research and development department, continues to develop an exciting and innovative business, supplying frames, lenses, and expertise to leading global technology firms. As a result, the business generated its first commercial revenues in 2022, with further growth expected in 2023. The team's focus on cutting edge technologies and new materials has been particularly successful and we are excited that several new product launches in frames and packaging will take place later this year.

Skunkworks has always been a key driver of innovation and growth within the business and we are confident that its continued success will play a significant role in driving our overall performance in the coming year. We are committed to investing in the development of new and innovative products and technologies and we believe that Skunkworks will be an important part of this effort.

Operational efficiencies

During the year, a number of cost reductions have been implemented to improve operational efficiencies. These included reductions in office space in Germany, the amalgamation of our two Hong Kong offices into one and the integration of International Eyewear Limited's offices and warehouse operations with INSPECS Limited.

The Group is also working on increased procurement efficiencies by consolidating our supply base where possible.

The integration of INSPECS Limited and International Eyewear Limited has subsequently strengthened INSPECS Limited's capabilities in the independent UK eyewear market.

Market opportunity

Operating in a resilient growing market, selling optical frames, we are confident that our business model and strategy will enable us to capitalise on this growth. The push for proprietary brand products made in Vietnam and customers looking for new suppliers following consolidation of competitors, all plays to our strengths. Our global teams continue to work hard on synergising, from product design to manufacturing and ultimately distribution, meaning the Group is well placed to capitalise on future growth.

Environmental, Social & Governance

Over the last 12 months our sustainability framework has been developed, clearly demonstrating the roadmap to our commitment to addressing critical environmental issues along with maintaining a positive environment for all our employees around the globe. Our focus on sustainable product and packaging is evident in the success of the Botaniq and O'Neill sustainable ranges. Our Group vision of 'Always Looking Forward' embeds itself into our Environmental, Social and Governance 'ESG', strategy and our purpose of innovation, commitment and integrity are reflected throughout. We consider ESG to be fundamental to the Group and further details regarding our sustainability framework are available on pages 24 to 31.

CEO'S REVIEW CONTINUED

CEO onboarding

Since taking over as CEO, I have focused on getting to know our business even better. I have met with many key customers and travelled to all of our major locations, travel restrictions allowing, including our showrooms and distribution centres in North America, our manufacturing factories in Vietnam and the UK, our sales and distribution facilities in Nuremberg, Germany, and our design centre in Lisbon, Portugal. My focus has been on building good working relationships with the key people at these locations and focusing on our revenues and costs to ensure a strong start to the new financial year.

A key strength of our Group has always been our people and I am very pleased with the standard and commitment of our teams in all of our territories. Our talented and dedicated employees are a key part of our success and I am confident that they will continue to drive our growth performance in 2023. Overall, I believe that our operations and management team are well positioned to navigate the challenges and opportunities that lie ahead, and I am committed to working closely with them to drive the continued growth and success of our Group.

Current trading

I am pleased to report that we have had good performance in Q1 2023 and are ahead of the same period in 2022. This was driven in part by a rebound in our European markets and continued growth in other markets.

Outlook

Looking ahead, we are optimistic about the future growth and success of the Group. There are a number of exciting opportunities on the horizon, including the opening up of China, the upcoming launch of key brands, Barbour and Superdry in new markets like North America and Asia, and the strong performance of our proprietary brands; Titanflex, Humphrey's, Botaniq, Savile Row and Jos. In addition, we have a good order book in our factories and are seeing synergies from making more of our own products in our own factories and combining locations across the world.

We will maintain our focus on driving revenues and controlling costs as we work to achieve our growth and profitability goals. We will also continue to invest in new technologies and innovations, as well as expanding our product offerings and services to meet the changing needs of our customers.

Overall, we are confident in our ability to navigate the challenges and opportunities that lie ahead, and we believe that our talented team and resilient business model will allow us to achieve continued success.

Richard Peck
Chief Executive Officer

03 May 2023

Top left: BOTANIQ®
Top right: Titanflex
Middle top left: Humphrey's
Middle top right: Caterpillar
Middle bottom left: Division Meeting at INSPECS HQ
Middle bottom right: Viktor and Rolf
Bottom right: Savile Row Titanium

MARKET OVERVIEW

During 2022, the eyewear market has not been immune to movements in the global economy. These movements include volatility in exchange rates, continued lockdowns and inflated prices.

Cost inflation of raw materials, shipping, distribution and operating costs continued to impact the eyewear industry.

Adverse exchange movements have impacted several countries.

Despite these impacts, the market remains resilient with strong growth forecast.

The eyewear market is made up of spectacle lenses, eyewear frames, contact lenses and sunglasses.

Highlights

- Revenue in the Eyewear market amounted to US$122.0bn in 2022 and is forecast to grow to US$141.5bn in 2023. Following this, the market is expected to grow annually by 4.4% (CAGR 2023-2027).
- The market's largest segment is the Spectacle Lenses segment, followed by the Eyewear Frames segment, with market volumes of US$59.0bn and US$39.6bn respectively forecast in 2023.
- In the global comparison, most revenue is generated in the United States (US$33.8bn), followed by China (US $15.1bn) and Germany (US $8.5bn) forecast for 2023.
- In relation to total population figures, per person revenues of US$18.43 are forecast to be generated in 2023 compared to US$16.02 generated in 2022.
- In the Eyewear market, volume is expected to amount to 10.7bn pieces by 2027 from 8.5bn in 2022.
- The average volume per person in the Eyewear market is expected to amount to 1.3 pieces in 2023.
- By 2023, 85% of sales in the Eyewear market will be attributable to non-luxury goods.

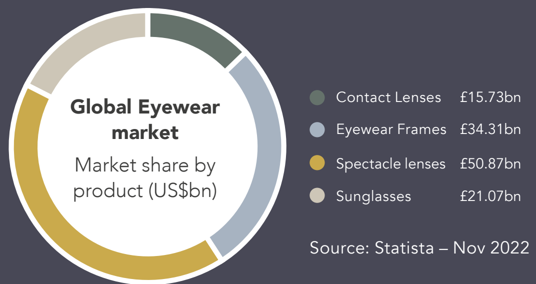
(Source: Statista)

Global eyewear market value in US Dollars

By 2027 the global eyewear market is expected to grow to

$168bn

Caterpillar



Source: Statista – Nov 2022

4.4%

Compound annual growth expected from 2023 – 2027

CHIEF FINANCIAL OFFICER'S REVIEW

Whilst the Group had a positive H1 with sales of $138.4m and an Adjusted Underlying EBITDA of $15.1m, the Group suffered from the continuing uncertainty in Ukraine and a slowdown in our European markets in H2.

Chris Kay, CFO

Combined with a rapidly decreasing Euro against the US Dollar, and continued losses at Norville, this meant our H2 performance was not in line with our expectations.

The Group has taken action to reduce non-operational costs, and is working on strategic efficiencies across the Group to increase our key performance indicator of Adjusted Underlying EBITDA.

Our FY22 results showed an increase in sales from $246.5m to $248.6m. The Group delivered Adjusted Underlying EBITDA of $19.2m (FY21: $27.6m).

On a constant currency basis* our sales increased from $246.5m to $265.7m an increase of 8%.

Reported loss before tax of $9.5m (FY21: $9.1m) is after incurring a PPA release on inventory ($0.2m) (FY21: $6.0m), exchange adjustments on borrowings ($2.5m) (FY21: $5.4m) and impairment of intangible assets ($0.0m) (FY21: $3.4m).

The Group along with its advisers, has discussed a change in the Group's reporting currency for 2023. As such the Group will report its interim numbers to 30 June 2023 in Pounds Sterling, with a summary of the results in US Dollars for comparative purposes.

The Group delivered Adjusted Underlying EBITDA of

$19.2m

(FY21: $27.6m).

* Constant exchange rates: figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the relevant comparative year.

	FY22 $'000	FY21 $'000
Revenue	**248,577**	246,471
Gross profit	**122,286**	115,772
Underlying operating expenses	**(103,083)**	(88,216)
Adjusted Underlying EBITDA	**19,203**	27,556
Share based payment expense	**(1,729)**	(1,484)
Depreciation, amortisation and impairment of intangible assets	**(16,868)**	(18,450)
Earnout on acquisitions	**(1,909)**	–
Loss on acquisitions in year	**–**	(90)
Purchase price adjustment	**(164)**	(5,991)
Operating (loss)/profit before non-underlying costs	**(1,467)**	1,541
Reconciliation to reported results		
Operating (loss)/profit before non-underlying costs	**(1,467)**	1,541
Non-underlying costs	**(1,814)**	(2,588)
Exchange adjustments on borrowings	**(2,528)**	(5,418)
Share of associate profit/(loss)	**23**	(10)
Net finance costs	**(3,695)**	(2,657)
Loss before tax	**(9,481)**	(9,132)
Tax credit	**1,665**	3,697
Loss after tax	**(7,816)**	(5,435)

Revenue

Total revenue for the year was $248.6m, an increase of $2.1m from $246.5m in 2021. On a constant currency basis revenue increased from $246.5m to $265.7m, an increase of 8%. Excluding the acquisitions of BoDe Designs and EGO Eyewear in December 2021, revenue increased from $246.2m to $252.4m on a constant currency basis, an increase of 3%.

Gross margin

The Group's gross margin overall was 49.2% compared to 47.0% in 2021, an increase of 220 basis points from the previous year. This increase was partly due to the mix of sales between independent opticians and our traditional chain business. The Group has continued to be able to introduce price increases on new products and has continued to control costs across its supply chain where possible, resulting in an overall improvement in margins.

Adjusted Underlying EBITDA

The Group targets Adjusted Underlying EBITDA as its key operating performance indicator. Our Adjusted Underlying EBITDA decreased by $8.4m, from $27.6m to $19.2m, a decrease of 30% in 2022. The decrease was primarily caused by three main factors. Firstly, the continued losses at Norville. Secondly, the effects of the decrease in the value of the Euro against the Dollar, particularly in the first ten months of the year. Thirdly, a slowdown in our European markets. German consumer confidence fell to a 25 year low in October 2022, and this impacted the order intake in Q3 and Q4 of 2022.

Operating expenses

Our operating expenses increased from $114.2m in 2021, to $123.8m in 2022. Excluding the acquisitions made in 2021, our total operating expenses increased from $114.1m to $117.0m, an increase of $2.9m or 3%. Our administrative expenses, excluding acquisitions, increased by 13%. This reflects the reversal of the reduced costs of the group in Q1 and Q2 of 2021 due to COVID restrictions.

The Group has implemented a cost reduction strategy on non-operational costs in Q4 of 2022 to drive our Underlying EBITDA margin in the future.

	Year Ended 31 December 2022 $'000	Acquisitions EGO & BoDe $'000	Adjusted Year Ended 31 December 2022 $'000	Adjusted Year Ended 31 December 2021 excluding EGO & BoDe $'000	Percentage change
Revenue	**248,577**	12,842	**235,735**	246,233	-4%
Gross profit	**122,286**	3,734	**118,552**	115,744	2%
Distribution	**7,783**	62	**7,721**	7,792	-1%
Wages & salaries	**61,552**	2,318	**59,234**	62,111	-5%
Administrative	**54,418**	4,440	**49,978**	44,178	13%
Total operating expenses	**123,753**	6,820	**116,993**	114,081	3%

The table below sets out our operating costs, adjusted for the acquisitions of BoDe Design and EGO Eyewear, as a percentage of revenue.

	Adjusted Year Ended 31 December 2022 $'000	Percentage of revenue	Adjusted Year Ended 31 December 2021 $'000	Percentage of revenue
Revenue	**235,735**	–	246,233	–
Gross profit	**118,552**	50%	115,744	47%
Distribution	**7,721**	3%	7,792	3%
Wages & salaries	**59,234**	25%	62,111	25%
Admin	**49,978**	21%	44,178	18%

Loss before tax

In 2022, the Group made a statutory loss before tax of $9.5m (FY21: loss $9.1m), an increase of $0.4m. The Group made an Adjusted Underlying EBITDA of $19.2m (FY21: $27.6m).

	2022 $m	2021 $m
Adjusted Underlying EBITDA	**19.2**	27.6
Non-cash adjustments		
1. Depreciation and amortisation	**(16.9)**	(15.0)
2. Purchase Price Allocation ('PPA') release on inventory	**(0.2)**	(6.0)
3. Intangible asset impairment	**–**	(3.4)
4. Exchange adjustments on borrowings	**(2.5)**	(5.4)
5. Share based payment expense	**(1.7)**	(1.5)
6. Earnout on acquisitions	**(1.9)**	–
7. Other	**–**	(0.1)
Sub-total	**(4.0)**	(3.8)
Non-underlying costs	**(1.8)**	(2.6)
Net finance costs	**(3.7)**	(2.7)
Loss before tax	**(9.5)**	(9.1)

Key items impacting the current year's results are as follows:

Depreciation and amortisation

The Group's depreciation and amortisation charge is set out below. Amortisation costs principally arise on the capitalisation of customer relationships and order books on acquisitions.

	31 December 2022 $m	31 December 2021 $m
Depreciation	**8.4**	7.4
Amortisation	**8.5**	7.6
Total	**16.9**	15.0

Exchange adjustments on borrowings

The exchange adjustment on borrowings primarily relates to intragroup loans, where the functional currency of the entities differs from the loan currency and presentational currency. This exchange adjustment also relates to the revolving credit facility held in Euros and USD.

Share based payment expense

The Group has a LTIP scheme in place that vests over a period of three years from the date of the grant of the option at market value, and is subject to the continued employment of the individual over that period. The Group has recognised a non-cash charge of $1.7m in 2022 (FY21: $1.5m). The scheme is designed to give the equivalent of one year's salary to an individual over that three year period. Details of all options granted are shown in note 32 to the accounts. No nil-cost options have been granted to date. The Remuneration and Nomination Committee is currently reviewing the option scheme with outside advisers.

+8%

Revenue increase on a constant currency basis

Earnout on acquisitions

The acquisitions of EGO Eyewear and BoDe Designs in December 2021, both contain amounts due for contingent consideration, based on the performance of those businesses. In the year 2022, the amounts payable under the agreements amounted to $1.9m, and have been charged to the profit and loss account in accordance with IFRS 3. Further contingent consideration is expected to arise in 2023, and 2024, and will be subject to the performance of those businesses.

Net Finance Costs

Bank loan interest increased by $0.4m primarily due to rising interest rates during the year. The amortisation of loan transaction costs relates to the refinancing charges that are amortised over the period of the financing facilities available to the Group.

Non-underlying costs

The Group incurred $1.8m of non-underlying costs in 2022 (2021: $2.6m). During the year the Group incurred fees relating to potential acquisitions amounting to $1.1m. The Group also incurred restructuring costs of $0.5m which related to the amalgamation of our Hong Kong offices and the rationalisation of our warehousing facilities and offices in the UK following the integration of International Eyewear with INSPECS.

Prior year adjustment

Following the acquisition of EGO eyewear and BoDe design, a deferred consideration liability was created. Following a review in 2022 it has been determined that the contingent part of the deferred consideration is to be treated as remuneration. The deferred consideration creditor of $5.4m is no longer required. We have therefore restated our 2021 statement of financial position to reflect this. There is no profit or cash impact as a result of this adjustment.

	2022 $m	2021 $m
Bank Loan Interest	**2.2**	1.8
Invoice Discounting	**0.1**	0.1
IFRS 16 lease interest	**0.6**	0.5
Interest Receivable	**(0.1)**	(0.1)
Net Finance Cost	**2.8**	2.3
Amortisation of loan transaction costs	**0.9**	0.4
Total net finance costs	**3.7**	2.7

Cash position

During the year, the Group generated $12.4m in cash flows from operating activities (2021: $24.9m). The cash generated from operating activities was reduced by an increase in working capital of $5.8m in 2022 as opposed to a reduction of $7.2m in 2021. The Group has used the cash generated to continue to invest in new plant and equipment, and to enhance the Group's long-term growth strategy. An analysis of how the Group has deployed its free cash flow in the year is set out below.

	31 December 2022 $'000	31 December 2021 $'000
Cash and cash equivalents at the beginning of year	**29,759**	23,776
Net cash from operating activities	**5,077**	20,017
Net cash used in investing activities	**(4,189)**	(15,661)
Net cash (used in)/from financing activities	**(4,398)**	1,704
(Decrease)/increase in cash and cash equivalents	**(3,510)**	6,060
Foreign exchange movements in the year	**550**	(77)
Cash and cash equivalents including overdrafts at the year end	**26,799**	29,759
The breakdown of net cash used in investing activities is		
Purchase of intangible fixed assets	**(1,042)**	(1,508)
Purchase of property, plant and equipment	**(3,193)**	(6,137)
Acquisition of subsidiaries, net of cash acquired	**–**	(8,134)
Purchase of shareholding in associate	**(88)**	–
Interest received	**134**	118
Net cash used in investing activities	**(4,189)**	(15,661)

Working capital

The Group closely monitors its working capital position to ensure that it has sufficient resources to meet its day-to-day requirements and to fund further investing activities to supply its customer base.

Debtors

	Year ended 31 December 2022				Year ended 31 December 2021			
	Total	**30 Days**	**60 Days**	**90 Days**	Total	30 Days	60 Days	90 Days
Debtors ($)	**27.4m**	**18.5m**	**4.7m**	**4.2m**	29.4m	18.4m	6.6m	4.4m
Percentage	**100**	**68**	**17**	**15**	100	63	22	15

Inventory

Our sales to inventory ratio decreased from 4.4 to 4.3. The Group constantly monitors its working capital position, with a view to increase the sales to inventory ratio where possible.

	31 December 2022 $m	31 December 2021 $m
Turnover	**248.6**	246.5
Inventory	**58.3**	55.7
Sales to inventory ratio	**4.3**	4.4

Loan Reclassification

As at 31 December 2022, it was determined that INSPECS Limited, who holds the revolving credit facility on behalf of the Group, was in technical breach of its cashflow cover loan covenant. This has resulted in the reclassification of the loan balance ($45.7m) to a current liability in line with IAS 1. Subsequently, the bank has waived the cashflow cover and leverage covenants at 31 December 2022. The following ratios include an adjusted ratio to show the effect of this loan reclassification. On page 23 we include a KPI of adjusted net current assets. This reflects the Group's current assets minus the adjusted current liabilities calculated to the right.

Current asset ratio

The current asset ratio is a liquidity ratio that measures a company's ability to pay its short-term obligations, or those due within one year.

	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
Current assets	**127.2**	131.1
Current liabilities	**129.4**	82.9
Ratio	**1.0**	1.6

	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
Current assets	**127.2**	131.1
Current liabilities	**129.4**	82.9
Loan in technical breach	**45.7**	–
Adjusted current liabilities	**83.7**	82.9
Adjusted ratio	**1.5**	1.6

1.5

Adjusted current asset ratio

CFO'S REVIEW CONTINUED

Quick ratio

The quick ratio is an indicator of a company's short-term liquidity position, and measures a company's ability to meet its short-term obligations with its most liquid assets.

	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
Current assets	**127.2**	131.1
Less inventory	**(58.3)**	(55.7)
	68.9	75.4
Current liabilities	**129.4**	82.9
Ratio	**0.5**	0.9

As described above, the table below shows the effect of the movement of the bank loans to current, from due after one year.

	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
Current assets	**127.2**	131.1
Less inventory	**(58.3)**	(55.7)
	68.9	75.4
Adjusted current liabilities	**83.7**	82.9
Adjusted ratio	**0.8**	0.9

Net debt

The Group's opening net debt, including and excluding lease liabilities, is shown below. During the year the Group increased its net debt excluding leases from $32.7m to $33.4m.

The Group has significant cash reserves, resulting in the net debt position as set out below.

	Year ended 31 December 2022 $m	Year ended 31 December 2021 $m
Cash at bank	**26.8**	29.8
Borrowings	**(60.2)**	(62.5)
Lease liabilities	**(24.2)**	(22.4)
Net debt	**(57.6)**	(55.1)
Net debt (excluding lease liabilities)	**(33.4)**	(32.7)

$26.8m
Cash at bank

CFO'S REVIEW CONTINUED

Financing

The Group finances its operation through the following facilities.

	Amount $m	Expires	Drawn at 31 December 2022 $m
Group revolving credit facility	37.0	October 2024	36.4
Term loans	18.7	October 2024	13.3
Revolving credit facility USA	10.0	1-year rolling	8.7
Invoice discounting	3.0	1-year rolling	1.8
Total	68.7		60.2

Leverage (using debt to equity ratio)

The Group's leverage position is shown below including and excluding leasing finance:

	2022	2021*
Including leasing finance	**2.24**	1.51
Excluding leasing finance	**2.07**	1.34
Required ratio	**2.25**	2.0

* The Group's 2021 leverage ratios have been restated, to reflect the agreement by HSBC that interest on property leases is excluded from the leverage calculation as agreed in October 2022.

The Group's leverage is constantly updated, and a rolling projection for 12 months is reviewed to ensure compliance with the Group's covenants. In January 2023, the Group's bankers HSBC, waived its leverage ratio requirement at the 31 December 2022 and raised its leverage test to 3.0 for the three quarters to 30 September 2023. The maximum leverage ratio requirement will reduce to 2.25 at 31 December 2023 and for subsequent quarters until the facility matures in October 2024.

Earnings per share

Year ended 31 December 2022	Basic weighted average number of Ordinary Shares ('000)	Total earnings/ (loss) $'000	Earnings/(loss) per share $
Basic loss per share	101,672	(7,816)	(0.08)
Diluted loss per share	107,554	(7,816)	(0.08)
Adjusted PBT basic EPS	101,672	8,139	0.08
Adjusted PBT diluted EPS	107,554	8,139	0.08

Dividend

The Group does not intend to pay a dividend for the year ended 31 December 2022. A dividend of $1.6m was paid during 2022 in respect of the year ended 31 December 2021.

Going concern

The Directors have undertaken a comprehensive assessment of the Group's ability to trade out to 30 June 2024. Details of this are given in the Directors' report on pages 60 and 61. Taking this into consideration, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue to trade throughout the review period. Therefore, the Directors continue to adopt the going concern basis in preparing the consolidated and Parent Company financial statements.

Chris Kay
Chief Financial Officer

03 May 2023

KEY PERFORMANCE INDICATORS

Our business focuses on eight key performance indicators that are used by the Board and senior management to review future outcomes and the successful delivery of the Group's overall strategy.

Revenue

$248.6m

2022	$248.6m
2021	$246.5m
2020	$47.4m

+1%

Adjusted net current assets

$43.5m

2022	$43.5m
2021	$48.2m
2020	$56.2m

-10%

Gross profit

$122.3m

2022	$122.3m
2021	$115.8m
2020	$20.5m

+6%

Adjusted Underlying EBITDA

$19.2m

2022	$19.2m
2021	$27.6m
2020	$5.8m

-30%

Gross profit margin

49.2%

2022	49.2%
2021	47.0%
2020	43.3%

+220 Basis points

Eyewear units sold

10.7m

2022	10.7m
2021	10.4m
2020	4.9m

+3%

Adjusted PBT diluted EPS

$0.08

2022	$0.08
2021	$0.17
2020	$0.04

-53%

Net cash from operating activities

$5.0m

2022	$5.0m
2021	$20.0m
2020	$(0.75)m

-75%

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As detailed in our 2021 Annual Report, we have set out our goals to ensure we are doing the best we can for the planet, our customers, our employees and all our stakeholders.

Planet

As a Group, our global offices to be carbon neutral by 2030 (Scope 1 & Scope 2).

People

Each of our major operations to engage with local community projects each year.

Packaging

100% recyclable by 2025.

Product

Innovative development projects to increase our sustainable product offering.

Procurement

Collaborate with our key suppliers to integrate ESG best practice and enhance supply chain sustainability.

Environmental

What we can do, what we will do and what we are doing to make INSPECS Group a leading environmentally responsible eyewear company.

For more on Environmental see pages 25 to 27

Social

We are committed to the continued building of our positive and inclusive culture.

For more on Social see pages 28 to 30

Governance

We want to make sure we always act in the best interests of our stakeholders in the business, improve our performance and unlock new opportunities.

For more on Governance see page 31

Environmental

We have set clear priorities for our business and continue to look for ways to improve as we evolve.

We have continued our tree planting initiative by working with Ecologi and their planting partners. Over 2,500 trees were planted in the UK in early 2023. Over time these trees will help to remove carbon from the atmosphere and contribute towards enhancing air quality.

We have worked with Ecologi and First Climate on renewable energy projects in Sri Lanka and Vietnam to help towards offsetting our Group's carbon emissions. The purpose of the projects is to generate clean electricity through the utilisation of wind energy and hydropower. Over and above the direct environmental benefits, the projects also create employment opportunities.

2022 has been a year where we have been able to embrace our ESG roadmap by building on our reporting data with Diginex and the entities across the group, taking steps to reduce our environmental impact and introducing new emission offsetting projects with Ecologi and First Climate.

Our ESG best practice is to integrate sustainability, so it becomes a seamless consideration in all that we do. With strong social and governance frameworks, we have the ability to offer sustainable solutions with packaging and product. With our collaboration throughout the Group, we are able to bring innovative environmental solutions to our customers to firmly cement our place in the future of sustainable eyewear.

Its been really positive to be a part of adding back to the community and the world around us. The focus for our community projects for 2022/2023 has been the environment and eye health (detailed on pages 28 and 29).

As the world of ESG grows so does the understanding of our teams around the globe. We held our first ESG Committee meeting with two members of the Board, the Group ESG, Compliance and Risk Officer, and the Head of Innovations. Being able to work together to improve what we do and how we do it is a positive change for all our futures. We aim to support our employees, our customers and our key stakeholders to a world of always looking forward and building better.

The collation of our Group emission data commenced in a year where we were hit by the pandemic. Whilst the pandemic has changed the way we operate with more working from home options and fewer face-to-face meetings, we recognise the importance of travel. During 2023, we will continue to work with all our manufacturing and office sites to review how we can minimise emissions and costs to include recycling more, conscious travelling, targeted procurement and waste control.

Our ESG framework is based on the core elements of the Global Reporting Initiative (GRI), the emissions data as per Streamlined Energy and Carbon Reporting (SECR), and in-line with the UN's Sustainability goals. As we move into 2023 our focus will be building on our current framework for the Task Force for Climate-related Financial Disclosure (TCFD) reporting.

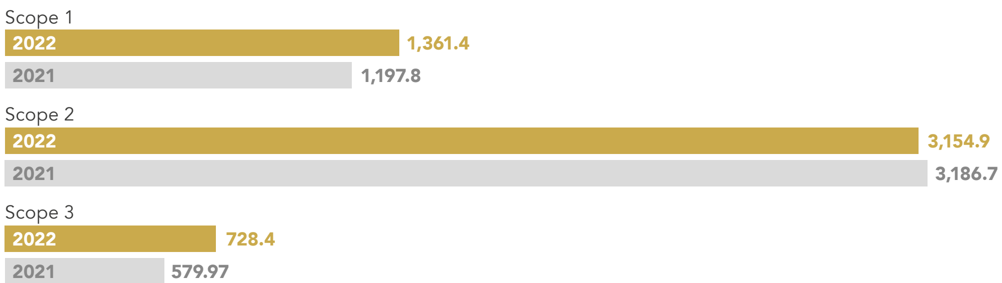
ENVIRONMENTAL CONTINUED

Streamlined Energy and Carbon Reporting (SECR) Greenhouse Gas emissions (tCO_2e) and Consumption (kWh) Totals:

Global GHG emissions data	Unit	2022	2021 (Restated)
Scope 1			
Combustion of fuel (stationary and mobile), process emissions and refrigerants	tCO_2e	**1,361.37**	1,197.80
Scope 2			
Electricity purchased and heat and steam generated for own use:			
Location based	tCO_2e	**3,154.93**	3,186.69
Market based	tCO_2e	**2,812.14**	2,736.25
Scope 3			
Business travel, water supply and treatment, transmission and distribution losses from purchased electricity, upstream leased assets	tCO_2e	**728.35**	579.97
Total GHG emissions – location based	tCO_2e	**5,244.65**	4,964.46
Total GHG emissions – market based	tCO_2e	**4,901.85**	4,514.02

2021 scope 1 and scope 3 data has been re-stated to account for a reporting discrepancy which overstated fleet vehicle mileage for one of our sites along with their district heat and steam consumption figures for a leased building.

Scope 1, 2 and 3 emissions (tCO_2e): This reporting period vs previous reporting period



The total consumption (kWh) figures for energy supplies reportable are as follows:

Utility and Scope	2022 Consumption (kWh)	2021 Consumption (kWh) (Restated)
Grid-Supplied Electricity (Scope 2)	**6,160,806**	6,068,841
Gaseous and other fuels (Scope 1)*	**1,277,010**	1,262,675
Fleet Transportation (Scope 1)**	**4,600,440**	3,970,786
Business Transportation (Scope 3)**	**255,842**	173,525
Leased assets (Scope 3)***	**1,307,846**	1,348,909
Total	**13,601,944**	12,824,736

* Excludes refrigerants as the data cannot be converted to kWh.
** Excludes non-car business travel as the data cannot be converted to kWh.
*** Excludes water as the data cannot be converted to kWh.

The location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid average emission factor data). The market-based method reflects emissions from electricity that companies have purposefully chosen, using source or supplier-specific emission factor where available.

The emissions stated are for our global operations that span the UK, Europe, United States of America and Asia. Our UK and offshore GHG emissions (location-based) for 2022 is 608.51 tCO_2e.

Our emissions data covers our subsidiaries where we have operational control. Unless otherwise stated, all figures cover the period from 1 January to 31 December 2022. The data in 2021 does not include EGO Eyewear and BoDe Design due to the timing of the acquisitions.

ENVIRONMENTAL CONTINUED

Methodology

We have calculated our 2022 carbon footprint using the fundamental principles of the GHG Protocol, which is the internationally recognised standard for corporate carbon reporting. We have used a bottom-up consumption/activity-based approach to calculate emissions across all our sites globally. We calculate our direct emission figures using actual consumption data from smart meters, accurate meter readings and invoicing, access to this type of data is not always possible. Where data was not available, electricity and water consumption were estimated using a kWh or cubic meter per full time employee factor, 0.38% of total emissions reported is from estimated source data.

SECR Commitment

In 2022, over 55% of our total global emissions were generated by our factories in Vietnam and China. Our factories have worked hard to identify opportunities to improve energy efficiency throughout 2022. Our factory in China upgraded less efficient machinery and equipment with new efficient models to reduce electricity consumption. Our factory in Vietnam installed LED lighting in their production area and installed electricity meters in each department to more accurately measure energy consumption. The energy consumption of each department will be closely monitored during 2023 and beyond, and improvement plans will be implemented where possible.

As a Group we have continued with our focus on regular servicing and maintenance of equipment, installing LED lighting where possible and encouraging our teams to switch off lights and equipment when not in use. We are exploring other ways to improve the efficiency of the buildings we own and reduce energy loss. Building efficiency will remain a consideration for the Group when purchasing or leasing a space for the first time and when renewing any existing lease arrangements. We will continue to review our sites, particularly our factories, to ensure we are improving the efficiency of our processes.

Intensity Ratio	2022	2021 (Restated)
Scope 1 and Scope 2 Emissions per $1m turnover ($tCO_2e$)	**18.17**	17.79
Scope 1 and Scope 2 Emissions per full time equivalent employees (tCO_2e)	**2.59**	2.62


O'Neill

4,539 tCO_2e
offset through renewable energy projects

Over
28,600
frames distributed to charities in 2022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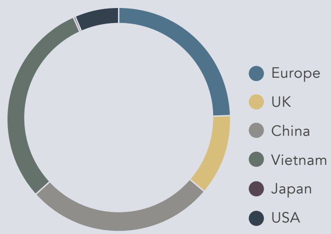
O'Neill

2022 Carbon Emissions by Region



2.59
Emissions per full time equivalent employees (tCO_2e)

Social

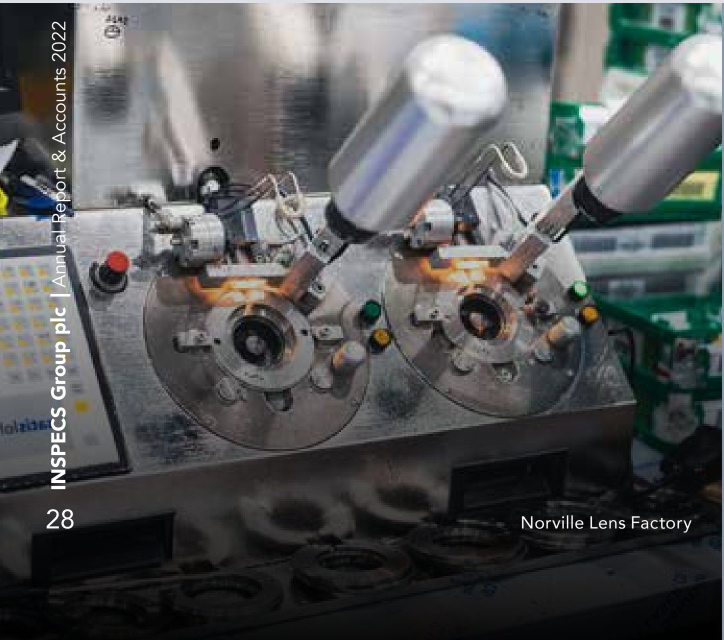
We are committed to building a positive and inclusive culture.

Community

Our role in the community is very important to us. Our local community is a source of recruitment, supports our infrastructure, and being part of local projects helps us feel part of the community around us. Across the Group we have embarked on various projects in 2022/2023 to be able to give a little back. Here are a few examples.

INSPECS Ltd – The Conservation Volunteers (TCV)

INSPECS collaborated with The Conservation Volunteers (TCV) to provide the team with the opportunity to volunteer in projects that benefit the local community. The INSPECS Limited team spent the day outdoors planting raised flower beds and preparing ground for a wildflower meadow at a community sports centre in Bristol, where they are currently implementing a green space for the local community to use and enjoy. Each of the team enjoyed giving back to the community whilst engaging with colleagues and being more connected with nature.



Norville Lens Factory

Norville VCHP Partnership

Our manufacturing site in Gloucester works closely with Vision Care for Homeless People (VCHP), a UK-wide charity. Norville provides glazing for VCHP Gloucester Clinic and assists in pop-up clinics in surrounding areas. Norville supplies the lenses and glazes the frames to support people in the local community. The team at Norville are committed to assisting the charity in meeting the visual needs of homeless and vulnerable people in the community.

Tura – Donation projects

In 2022, Tura worked with Canadian Vision Care (CVC) and donated 4,600 frames. CVC work with various projects in developing countries providing primary eye care to individuals around the world. This year Tura have also worked with 'Bags of Love' who have been established for 15 years helping children in crisis. Bags of Love provide children with essentials and toys and Tura are proud to be able to donate sunglasses for teens.

Eschenbach Optik

Eschenbach Optik is supporting the aid organisation BRILLEN-ohne-GRENZEN who distribute frames and sunglasses to help projects in developing countries across Africa, Asia and South America. At the end of 2022, Eschenbach delivered 24,000 frames, which included a wide range of children's and adult's eyewear, with an average retail value of over €1.4 million.

SOCIAL CONTINUED

Collaboration

Great people, innovation and a hunger for excellence is at the heart of what we do.

We already run a successful intern programme with Eschenbach at our Nuremberg offices. We seized the opportunity to expand on great people and new ideas and started work with the University of Bath in the UK this year. In our Group Skunkworks team, we have a Mechanical Engineering student. This placement is helping the team explore new product materials across their innovative project work, CAD modelling of new technologies, and sustainable packaging replacement concepts.

At our Norville site in Gloucester, we have a Chemical Engineering student who is working in the testing and coating labs and investigating new technologies and methods of application. This research and development work is proving to be extremely beneficial to the current processes. Building knowledge with the new manufacturing machinery is opening new opportunities within our Group.

We want to develop our inclusive culture and provide opportunities and accessible training where students can be themselves and bring new ideas to an environment where they feel supported. We look forward to exploring other opportunities in the future.


INSPECS & Eschenbach Co-Working


INSPECS Finance Team Co-Working

Focus groups

We have already made significant steps forward with the team's involvement in collecting emissions and social data for the Group's ESG reporting. To continue with our collaboration for 2023, we will be setting up 'focus' groups. This will provide the opportunity for our teams to have a greater voice and grow our ideas to truly engage in a better environment for us all. Not only will the focus groups look at environmental projects, they will also review the social aspect of working for the Group and the possible new opportunities ahead.

Health & Safety

We all want to keep our employees and visitors safe. Running any business leads to an element of Health & Safety reporting and actions. At INSPECS we have four manufacturing sites and many distribution centres, so we work hard to keep all our sites safe. Health & Safety remains on the standing agenda for our Board meetings, and we continue our regular assessments and external reviews to ensure we comply with legislation and maintain a safe working environment.

We continue to track all accidents internally and discuss these at Board level. For the purposes of our external reporting, we will continue to report using the RIDDOR classification standard across the Group. For 2022, we had no significant incidents at any of our sites. All accidents are investigated, and refresher training provided as necessary along with any updates to our safety procedures.

Diversity, Equity and Inclusion

Our employees represent different nationalities, cultures, backgrounds, gender and sexual orientations.

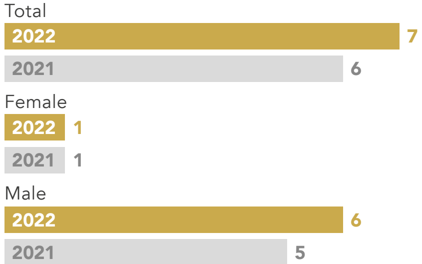
We are determined to foster a culture of equity and mutual respect where all our employees feel valued and their contributions recognised. As a group we have a diverse workforce, and the Board will continue to engage in discussion for a greater balance in gender and ethnic diversity within our leadership teams. We have further enhanced our efforts to ensure an inclusive culture and have worked hard on our Code of Conduct to ensure a united policy where everyone is treated fairly and with respect.

We will continue to listen to our employees and respond to employee needs on an ongoing and real-time basis.

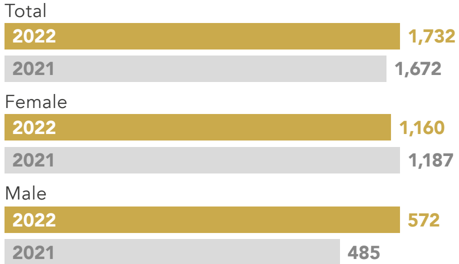
The Group is an equal opportunity employer and follows all applicable laws. We value the contributions, perspectives, and talents of all the individuals in our global workforce. The Group will not allow any discrimination in any of its business operations nor engage with other organisations where such activity is detected.

Retention and a balanced workforce is really important to us. Reviewing the employee mix indicators helps us asses our people management practices.

Board



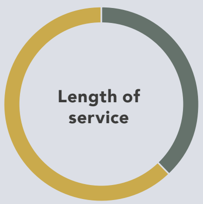
Total employees



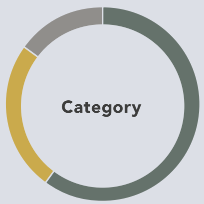
Male
Female

INSPECS Development Team

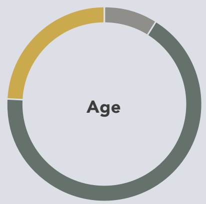
Employee mix



38% < 2 years' service
62% > 2 years' service



60% Production
25% Operational sales
15% Administration



9% < 30 years
67% 30-50 years
24% > 50 years

Governance

The Board plays a key role in developing the direction of ESG within the Group.

ESG has been on the Board standing agenda since 2021. The ESG Committee has now been formed, with its first formal meeting in November 2022.

The ESG Committee comprises of three Non-Executive Directors, Angela Farrugia (Chair), Hugo Adams and Christopher Hancock, along with the Group ESG, Compliance and Risk Officer, Angela Eman, and the Head of Innovations, Nick Youle. The committee will meet at least twice a year and draws on the expertise around the business as required. Key areas that the Committee will be focusing on:

- Approach, development, strategy and implementation for ESG initiatives.
- Review reporting and governance performance and execution.
- Advise on appropriate, relevant and effective polices and legislative requirements.
- Approve projects and investment in line with the ESG roadmap.

In 2022, the Group completed a review of its Anti-bribery and corruption (ABC) policy and associated processes. The Group takes a zero-tolerance approach to bribery and corruption. We circulated our ABC questionnaire to the Board, executive team, senior teams and all those deemed necessary based on customer, supplier and third-party contact. A review of the data has been completed and targeted training will be provided during 2023 to continue our full compliance with the ABC policy.

In line with governance controls and environmental reporting we are launching a trial in our UK head office and with INSPECS Ltd to use an app to record and report on expenses. With less paperwork and reduced manual data entry it will be a time efficient process for finance and will add greater control with clear authority checkpoints. It will also accurately capture the data for our emissions calculation, such as business travel data for scope 3 emissions reporting. If successful, we will be able to roll this app out to other parts of the Group.

We have developed our Group Code of Conduct and its associated polices. As the Group continues to evolve our commitment to upholding the highest ethical and legal standards remains paramount. Our Code of Conduct is designed to give guidance on our polices. We have a wide and diverse footprint, so the document is not set to cover everything but to give a Group guide and set out our principles. We expect everyone to promote a culture of transparency and an environment where we all feel comfortable raising questions and reporting concerns.

Skunkworks INNOVATION

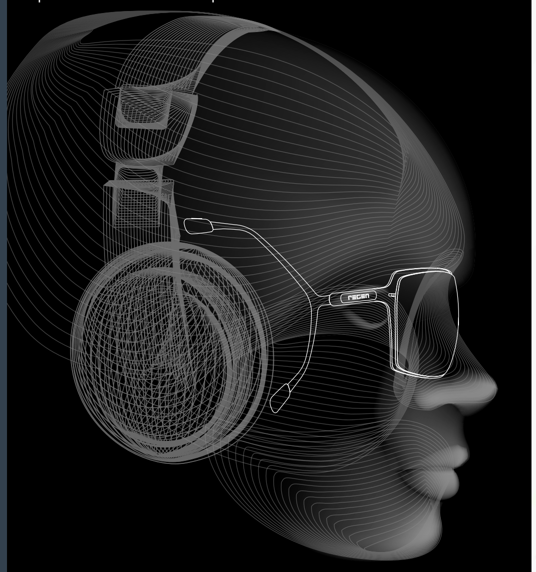
We at INSPECS pride ourselves on our innovative approach. Creative evolution is at the forefront of everything we do. Unafraid to break the traditional status quo within the eyewear industry, INSPECS challenges both material and technological barriers, eliminating them through forward thinking design and radical cutting-edge ideation.

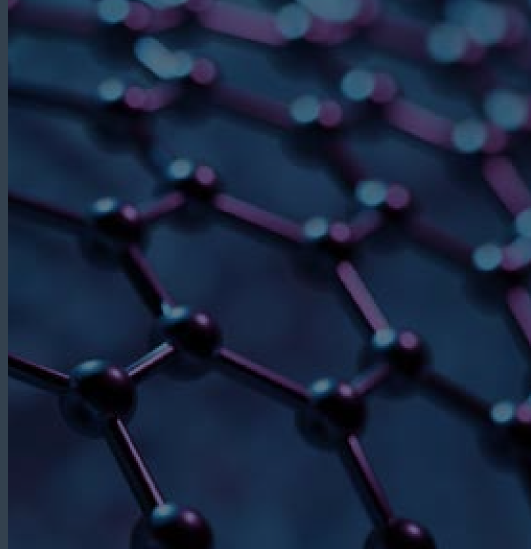
With the confidence to take on ambitious goals, coupled with the motivation to identify where things can be improved upon. INSPECS is an industry leading disruptor, focussed on ingenuity and originality.

Our Skunkworks department has been focusing on five key categories this year.

01
Innovative Eyewear Collections

Totally unique Gaming range consisting of original design work, technical features, highly specialised gaming lenses and packaging, all presented as a complete solution





02
New Material Generation

Continued investigations to develop new polymers for the eyewear industry and new packaging solutions

03
Smart Eyewear Development

Further exploring opportunities within this arena, working in collaboration with multiple providers to gain a foothold within the field of technology

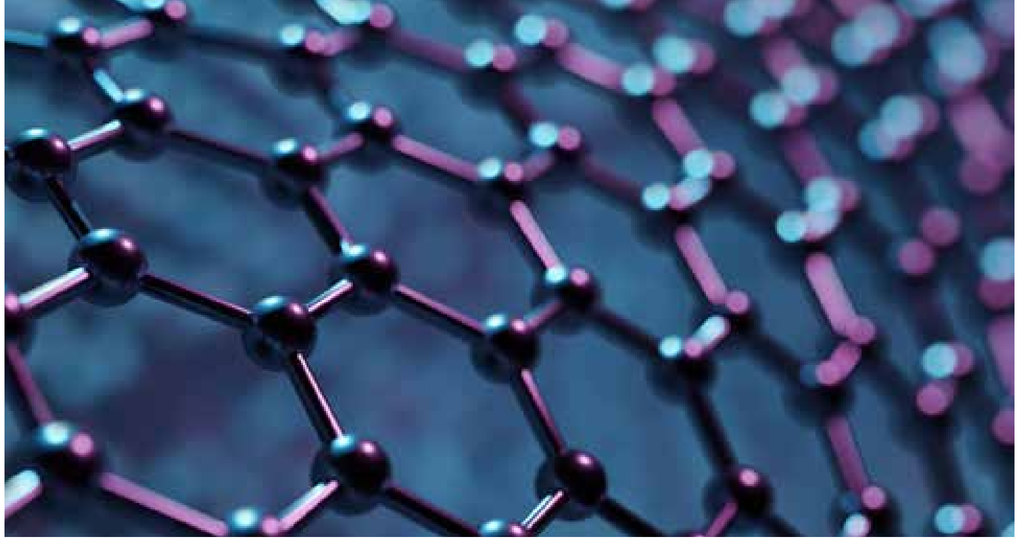
04
Lens Technology

Utilising the knowledge and expertise at Norville to develop new concepts

05
ESG Support

Environmental, Social and Governance support regarding packaging solutions and community projects

Continuous innovation



01 Innovative Eyewear Collections

During the year Skunkworks has been developing a unique range of computer gaming frames with solutions to technical issues, utilising cutting-edge industrial design and material realisation.

This range is totally original and packed full of innovation, using techniques rarely seen in the eyewear world. The revolutionary design features are packaged as a complete solution, including packaging and a range of high-tech bespoke lenses specific to the gamer.

Emerging opportunities have led us into many new and interesting markets including dentistry. The dentistry brief required a complex chassis design and a new combination of material selection to realise the collection.

02 New Material Generation

We have focused this year on a new packaging solution, developing a clear plastic substitute bag in response to the challenges surrounding our industry. We are very excited to continue the development of our eco packaging further, through user testing and certification.

We have continued to develop our graphene innovation with prototypes developed in 2022 which are currently being tested by the eyewear market.

03 Smart Eyewear development

During the year Skunkworks has been working with various smart eyewear technology companies, each with a unique approach to electronic frames. These include laser alignment modules, projection systems and waveguide technologies as well as, personal smart systems, collecting data of all kinds, from geo location to CO_2 levels and eye tracking.

On 29 April 2022, INSPECS signed a memorandum of understanding (MOU) with Bosch Sensortec GmbH for the development of smart eyewear for a potential launch in 2024. During 2022, Skunkworks delivered its first commercial revenues for its continual smart eyewear development.

04 Lens Technology

Realising the requirement for smart lens solutions, coupled with the skillset of our Norville technicians, we are developing multiple smart lenses. We are developing the technicalities of co-polymerisation via the mediums of glass, resins, and injection moulding materials. Our first innovative designed lenses achieved commercial sales in Q4 of 2022 with continual growth expected in 2023.

Exploring combinations of filters, processes and encapsulation techniques throughout 2022 led to new innovative methods and further understanding the limitations of material boundaries.

05 ESG Support

Continuous development, validation, certification and implementation of an industry leading packaging solution.

We have begun community projects overseas, building relations between our factories and the local residents.

We have employed students from the local Bath University to work in both our expanding Skunkworks department and at our UK Lens facility, Norville.

Collaboration

Our Skunkworks department is also firmly rooted within the internal design labs of multinationals, working alongside R+D teams developing highly complex frame concepts.

Collaboration with major global brands in developing frame concept models, lens material choices, sampling and production techniques is part of our day-to-day workstream.

Our goal is to implement our developments into our mainstream eyewear production.

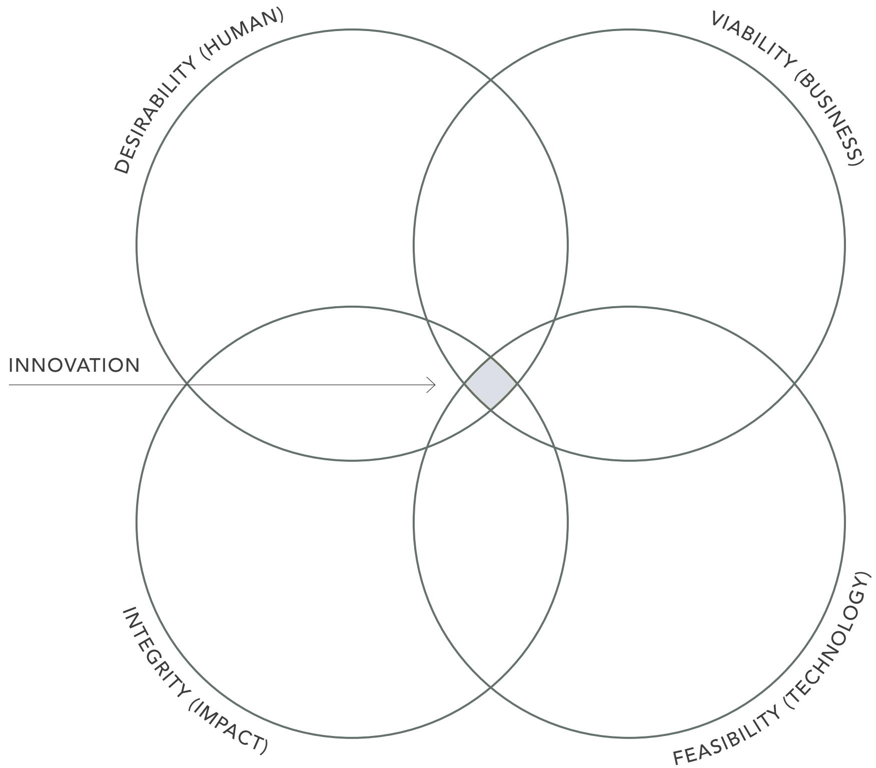
Looking forward

- Integrate materials into the brands within the Group
- Implement our bespoke eco packaging solution into full production
- Gain industry recognition for our work via competition entry
- Collaborate further with university programmes and design briefs
- Continue the development of further smart eyewear designs and technology

Skunkworks projects are evaluated employing these four measures of understanding:

Desirability
Are people waiting for/do people need this? Does it add value to the lives of our customers?

Viability
Is the supporting business model sustainable and can it be scaled?



Integrity
How does our innovation impact society and the planet as a whole?

Feasibility
Will we be able to deliver our concept both technologically and operationally?

The Board of INSPECS Group continues to uphold and develop the high standards of corporate governance already established.

The Directors believe they have acted at all times to promote the success of the Group for the benefit of its members as a whole. In doing so, the Board has considered the interests of a range of stakeholders impacted by the business, as well as having regard for the matters set out in s.172(1) of the Companies Act 2006. In line with the Section 172 statement the Board considers the long-term effects of key decisions on all of our stakeholders. The Board's commitment is to work in conjunction with the INSPECS Group strategy and understand the importance of governance.

The Board recognises that effective engagement with a broad range of our stakeholders is essential for the long-term success of the business. The Board regularly considers the likely consequences of our strategy and long-term decision making, taking into account our suppliers, communities, employees, customers and the environment in which we operate. The Board engages with all areas of the business to gather data that is relevant to the decisions being made. Members of the Board also take part in Investor days, allowing them to communicate and promote the vision of the Group. In 2022, travel for the non-executive Directors was at a minimum due to COVID but in 2023 the Board will be visiting Germany and Portugal along with the UK sites to further engage with the Group. The Board has actively engaged in ensuring the Group takes into account climate change and the effect our operations have on the community and environment.

Stakeholders considered

Our Employees

The Board recognises that it is our people that ensure we fulfil our potential and execute our strategy. Over the course of 2022, the Board received regular updates on topics of interest from the Group's ESG and Risk Officer, CEO and CFO. The Board also visited Norville to meet with the team and have a guided tour of the new facility. At all times the Board members engage with employees across the Group and welcome open discussions.

Training and career prospects

The Board encourages engagement with our teams so that effective communication continues to build and maintains trust. The Board ensures our team have open and transparent communication lines to influence change in relation to matters that affect them. The Group operates a Long-Term Incentive Plan for the senior management to maximise retention and secure the future leadership team. The Group actively encourages all employees to have access to further training to enhance their skills and develop their careers.

Health & Safety

Individual entities review Health & Safety monthly and report findings to the Group ESG, Compliance and Risk Officer. These findings are reviewed at each Board meeting and form part of the standing agenda.

Diversity and fair pay

The Group has high standards in relation to diversity and fair pay for all employees regardless of their age, disability, sex or ethnicity. Diversity, Equity and Inclusion will be included in the ESG focus groups for 2023 to ensure our team have an opportunity to discuss anything we can do differently.

Our Investors

The Chair and members of the Board make themselves available to meet with investors and seek to understand and prioritise the issues that matter most. These include operational and financial performance, liquidity and dividend policies, risk management and ESG matters. The Executive Directors hold regular meetings with major shareholders, four being held in 2022, along with the Annual General Meeting.

Demonstrate a clear investment case and strategy for continued sustained growth

The Group communicates through RNS releases, publication of the interim and annual accounts, and the website.

Ensure good risk management and corporate governance

All Directors and senior executives have a shared governance and risk understanding. Our Audit and Risk Committee is in place with continual Board involvement in governance of key elements. Reports and Accounts are available at Companies House and on the Group's website.

SECTION 172 STATEMENT CONTINUED

Communicate KPIs

Quarterly revenue numbers are released to the market via RNS, maintaining a relevant information flow to all stakeholders.

Continue our ethical behaviour in all business matters

We are committed to working with our suppliers, business partners and key stakeholders to ensure their business is ethical and responsible. Honesty and transparency are integral to our business operation.

Our Customers

The Board regularly receives operational updates, including customer metrics and feedback, from each of the businesses.

Continue to create new well-designed products

The Group design hubs are in the UK, Portugal, Germany, Hong Kong and the USA. They regularly engage directly with customers to create new and exciting ranges.

Deliver to our customers on time

Our communication with our customers and suppliers is key, especially while we navigate through turbulent political and economic unrest.

Demonstrate to our customers our traceable supply chain

The Group maintains independent audit facilities that are available to our chains to monitor and audit our factories at their request.

Engage in customer feedback to ensure continual improvement of our supply chain

The Group reviews its six-monthly or annual feedback reports from our global accounts and utilises these to help in constantly improving our performance.

Develop more sustainable products and packaging for our customer base

We continue to develop sustainable eyewear ranges which have won multiple awards. During 2022, the Group has continued to research and develop sustainable packaging solutions as detailed on page 33.

Our Communities

The Group operates globally and we operate in a responsible way, ensuring consideration to those around us and continuing to minimise our effect on the environment.

How we engage

The Group continues to design and develop products using recycled materials. We continue to develop our projects to offset our carbon footprint along with engaging in local community projects, as detailed within the ESG section on pages 24 to 31.

Fair trading and payment terms

The Group ensures that all suppliers are paid and treated equally and the Board reviews average supplier days.

Collaboration and long-term partnerships

We engage with our key suppliers for the long term and aim to create a partnership of supply.

Supplier engagement checks

We monitor key suppliers to ensure compliance with modern slavery laws.

Other Stakeholders

The Group operates in many jurisdictions throughout the world and at all times complies with regulation and legal requirements, engaging with both governmental, tax, and planning authorities.

In accordance with Section 172 of the Companies Act 2006 the items listed demonstrate how the Board has fulfilled its duties. This provides a summary of the key stakeholders of the Group whom the Board considered and engaged with. Further information that demonstrates how the Directors have fulfilled their duties is shown within the Strategic Report and Directors' Report. Any new member to the Board, as part of their induction, will receive training on the Section 172 statement and the Group's risk framework along with all other aspects of the business.

The Board of INSPECS believes that it has acted and made decisions in a way considered most likely to promote the success of the Group for the benefits of its members by following the key priorities stated right:


Zuma Rock

Key priorities for stakeholders:

- Clear strategy and reporting of performance against plan.
- Strong governance and controls to mitigate risk.
- Positive impact and responsible behaviour in the communities where we operate whilst minimising environmental impacts.
- Responsible employer, including pay and benefits, health and safety and the workplace environment.
- Consider the environment across the business, minimise pollution and waste and provide sustainable solutions.

Key considerations:

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


Zuma Rock

SECTION 172 STATEMENT CONTINUED

Key decisions	Considerations
01 Board structure	
To strengthen the Board and assist in the delivery of the Group's strategic goals the Board recruited two additional Non-Executive Directors with strong finance and global consumer brand experience. The Board has been further enhanced with Richard Peck moving from a Non-Executive role to become CEO of the Group whilst retaining the experience of Robin Totterman who moves to the Executive Chair role.	The Board considered the required structure of the Board to meet investor expectations for the business and ensure appropriate corporate governance can be implemented at the Board level for the long-term benefit of the Group.
02 Acquisitions	
The Board reviewed the potential acquisitions that were underway in 2022 and, as a result of the slowdown of the European markets, continued losses at Norville and adverse exchange movements, it was considered prudent, despite costs incurred, to suspend acquisition activity.	The Board considered the liquidity of the Group and potential impacts on suppliers, customers and employees of the Group in continuing with these activities at the current time.
03 Expansion of manufacturing capability	
The Board reviewed the working capital and cash flow implications of the timing of construction of new plant capacity. The Board decided that it was prudent to delay such investment in 2022.	The Board considered the views of investors on the current focus of the Group and determined it would be appropriate to delay these activities.
04 Dividend policy	
The Board has reviewed the dividend policy of the Group and as the Group intends to continue with capital investment projects in Q3 of 2023 it does not expect to pay further dividends in the short term.	The Board considered the current macroeconomic environment along with the future cash flow impact when making these decisions, along with the long-term consequences on the Group.
05 ESG Committee	
The Board established the Environmental, Social and Governance Committee in 2022. The Board recognised the importance of establishing a committee in order to be able to effectively set objectives, monitor performance and advise on appropriate policies.	The Board considered the impact the Group's operations were having on the community, and the environment, and how best to improve this.

RISK MANAGEMENT

The Board of INSPECS has overall responsibility for risk management.

Our Audit and Risk Committee reviews and identifies risks in our operations and ensures we are not exposed to unnecessary or poorly managed risks. Our Audit and Risk Committee, up until the 1 of December 2022 was made up of three Non-Executive Directors, Christopher Hancock, Chair, Lord MacLaurin and Richard Peck, along with support from our Chief Treasury Officer and our Group ESG, Compliance and Risk Officer. From the 1 of December 2022, with Richard Peck moving to CEO and the departure of Lord MacLaurin, we have two new Board members, Shaun Smith and Hugo Adams, appointed to the Committee, with Christopher Hancock remaining as Chair.

Through our framework we identify material risks that may lead to a threat to our business. Each Group division has an Operational Risk Management Committee (OMC) formed with senior members of the entity and led by the MD/CEO. The OMC is responsible for identifying new risks and implementing controls and processes across their area of the business. The OMC reviews the risk framework at least twice a year and reports into the Group's Risk Management Committee (GRMC), which is headed by the Chief Treasury Officer and the Group ESG, Compliance and Risk Officer and calls on both internal and external experts. The GRMC then reports to the Audit and Risk Committee and feeds back to the OMCs.

RISK MANAGEMENT CONTINUED

We have detailed below the principal risks that the Group is exposed to. The risks detailed could have a material impact on the Group operationally and/or financially. Our internal Risk Framework covers production, sales, environmental and social risks, plus governance, finance, IT and political issues. The residual risk highlights the outlook for the year ahead.

PRINCIPAL RISK	PROBABILITY OF RISK OCCURRING	ESTIMATED IMPACT OF RISK EVENT OCCURRING	RESIDUAL RISK
Underperforming entities	MEDIUM	HIGH	REDUCING
Macroeconomic risk of increasing inflation and interest rates.	MEDIUM	MEDIUM	STABLE
Integrity of cash and material Group assets	MEDIUM	MEDIUM	STABLE
Failure of mergers and/ or acquisitions	MEDIUM	HIGH	REDUCING
Climate change	HIGH	MEDIUM	INCREASING/ EMERGING
Ability to attract and retain key management and senior employees	MEDIUM	MEDIUM	INCREASING
Cyber threat	MEDIUM	HIGH	STABLE
Changes in geopolitical environment	HIGH	MEDIUM	INCREASING

Principal Risk	Potential consequences of risk event	Mitigation
Underperforming entities	Market forces, or failure of internal trading strategies, may lead to either loss of revenue, increased costs, or failure to achieve budget in one or more entities. This could lead to reduced EBITDA, cash flow loss, reputational damage, covenant breach and a reduction in share price.	In the fourth quarter of 2022, there was increased focus on underperforming entities which has led to tightened controls and actions to reduce overheads. The outlook for 2023 is to increase sales and further stabilise the controls in place. We remain competitive by identifying new markets and reviewing competitor offerings. The Board reviews monthly management accounts and discusses any entities that are falling behind the agreed budget. The OMCs communicate regularly to the CEO and senior team to ensure changes in trading or failure to achieve the strategic goals are highlighted. These measures will allow early intervention to enable decisions to be made that can help improve performance.
Event Occurrence Type	Internal & External risk	
Macroeconomic risk of increasing inflation and interest rates	High rates of inflation and increasing interest rates may lead to the Group having insufficient liquidity, not having appropriate access to funds or being unable to meet our obligations as they fall due.	Bank covenant tests are monitored by the Board monthly and reported to the bank on a quarterly basis. Regular budgeting and forecasting ensures working capital is sufficient for business requirements and rapid reaction to adverse business performance. We prepare a rolling strategic plan and cash flow. A number of different scenarios have been modelled to ensure we continue to be viable. The Group trades in multiple currencies thereby offsetting some of the effects of movement in currency.
Event Occurrence Type	External – outside of our control	

RISK MANAGEMENT CONTINUED

Principal Risk	Potential consequences of risk event	Mitigation
Integrity of cash and material Group assets	Due to the size of the organisation, and the multiple entities within the Group it is possible that there will be misappropriation of cash or group assets. In a worst-case scenario this could impact the Group's ability to trade and impact the Group's ability to meet forecasts. This could also lead to reputational damage and legal costs.	The Group is introducing an internal audit function in 2023 to strengthen and test the controls already in place. These include multi-level authentication, banking through HSBCnet, where practical, to allow visibility of transactions and balances and full reviews of payments and expenses.
Event Occurrence Type	Internal – within our control	
Failure of mergers and acquisitions	We may fail to complete or properly integrate an acquisition or merger which could lead to high fees and governance may be negatively affected. An acquisition could cause covenant breach due to increased borrowing and insufficient EBITDA. There is a risk of failure to maximise potential synergies, resulting in unnecessary Group costs.	For future acquisitions, improved initial planning and stringent review, prior to signing of engagement letters, will take place. The Board will follow a template to ensure due diligence covers the required areas, including ESG, financial reporting and controls, contracts and licence agreements, budget planning and legal documentation. The experience we have gained following our previous acquisitions has strengthened our comprehensive internal reviews and communication. These include working capital scenarios and strategy plans, agreed at Board level, to maximise potential integration.
Event Occurrence Type	Internal – within our control	

Principal Risk	Potential consequences of risk event	Mitigation
Climate change	Climate change is an emerging risk and has increased importance for all our stakeholders. There are increased physical risks around the globe, with increased rainfall leading to floods, heatwaves, storms and wildfires potentially affecting our sites and supply chains. Alongside the physical risk, customer behaviour changes may result in reduced sales of our existing eyewear products as consumers look for more sustainable choices. New sustainable product options may result in increased costs leading to reduced margins.	Diversification of suppliers allows us to respond quickly to limit the impact should a climate event occur. With innovation and development from the Skunkworks team and the design teams around the business we are able to develop sustainable options for the future. Our pricing can be structured to mitigate most increased cost of materials because external studies have shown consumers will accept a small premium for sustainable products. Each year we review energy efficiencies and ways to reduce our carbon footprint. The landscape in this area continues to evolve and ESG issues will continue to be kept under review as part of our risk management processes.
Event Occurrence Type	External – outside of our control	
Ability to attract and retain key management and senior employees	An inability to attract and retain skills required to effectively operate could threaten the delivery of our strategy and may impact our intended growth. A lack of diversity, equity and inclusion across our workforce could lead to our culture not being representative of the wider community in which we operate.	We review succession planning with the OMCs and with the Board. The senior team are part of a long-term incentive scheme to maximise retention and our Remuneration and Nomination Committee seeks to ensure rewards are commensurate with performance. We continue to create an inclusive workplace that attracts talent from diverse backgrounds. University placements have opened up new perspectives and the focus groups in 2023 will provide an opportunity for a greater voice to grow ideas, engage employees and ensure our recruitment and strategies maintain a fair and equal workplace.
Event Occurrence Type	Internal – within our control	

RISK MANAGEMENT CONTINUED

Principal Risk	Potential consequences of risk event	Mitigation
Cyber threat	Harm could be brought to the Group via an unauthorised access, corruption or destruction of data and/or ransomware causing inability to access systems, loss of data leading to a potential loss of revenue.	We are continually reviewing and assessing our cyber security protocols and tool sets across the Group to ensure we stay up to date with the evolving global threat to the landscape. Cyber risk insurance is kept up to date in all our Group entities and investment into new technologies and multiple cyber security accreditations is ongoing. All employees in our office sites receive regular security awareness training and testing.
Event Occurrence Type	Internal & External risk	

Principal Risk	Potential consequences of risk event	Mitigation
Changes in geopolitical environment	Disruption of the Group's operations could cause failure to meet agreed customer commitments and damage our prospects of gaining future orders. Disruption could be caused by a range of events, for example: extreme weather or earthquakes which could increase in severity or frequency, given the impact of climate change; political events; geopolitical factors that lead to an unfavorable business climate; legislative changes; financial insolvency of a critical supplier; scarcity of materials; loss of data; fire; or infectious diseases or future pandemics. The consequences of these events could have an adverse impact on our employees, our operations or our external supply chain.	We have operational and manufacturing presence in multiple global locations to improve resilience in product manufacturing and logistics. The expansion of our Vietnam manufacturing site and the planned Portugal manufacturing facility help to de-risk the impact of disruption. We regularly review supplier strategy and sourcing. We hold sufficient stock based on forecast sales and customer demands. We continue to plan and practice IT disaster recovery and business continuity. We undertake supplier diligence, and we take out relevant and appropriate insurance.
Event Occurrence Type	External – outside of our control	

Barbour

O'Neill

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p42

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Governance

Barbour

CORPORATE GOVERNANCE STATEMENT

Corporate governance is important in promoting the values of the Group both internally to employees and externally to our stakeholders. The Board recognises and values the importance of good corporate governance and how it drives operational, financial practices and risk management.

Robin Totterman, Chairman

Dear stakeholder,

I am pleased to present the Corporate Governance Report for 2022. This report should be read in conjunction with the report on page 47, in which we have set out how we have complied with the QCA Corporate Governance Code.

As I have outlined in my report on pages 3 and 4, 2022 has been a difficult year for the Group with revenue marginally up on the previous year due to a slowdown in some of our key markets in the last few months of 2022. Despite this, the Group has continued developing its strategy to grow the business in a sustainable manner.

Governance

The Board believes that effective delivery of the Group strategy requires strong corporate governance supported by a robust structure that allows the Board to engage in constructive debate and be challenged by its members. This allows the Directors to make strategic decisions. The Board recognises the importance of having suitably qualified Non-Executive Directors who are independent in character and free from any relationship that could affect their judgement. Our Non-Executive team has been strengthened during the year with the addition of Shaun Smith, who has a strong background in finance, and Hugo Adams, who has extensive experience in operational matters.

Richard Peck, who joined the Board as a Non-Executive Director in January 2020, stepped up to take the position of Group CEO from 1 December 2022. Richard has over 38 years of industry experience within eyewear. Angela Farrugia, who has a wealth of experience in relation to brands and consumer products, and Christopher Hancock who is a chartered accountant and has been involved in many corporate transactions over the years and is able to support our Executive Team on acquisitions.

The Board firmly believes that driving our long-term goals should not be at the expense or detriment of others with whom we engage or the environment in which we operate. We are committed to delivering our long-term goals for all stakeholders with as little impact as possible on the planet.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

Engagement with our stakeholders

The Board is conscious that there are a number of stakeholders within our business and considers the interest of each of these stakeholder groups in its discussions. During the year we have had a comprehensive investor relation programme in place with the Executive Team carrying out a number of meetings with our shareholders during the year. Our Non-Executive Directors engage with our shareholders as appropriate and also with our auditors, nomad, and our corporate advisers. The Board continues to consider the likely impact of its strategy and long-term decision making on its customers, suppliers, employees and communities.

The culture of the business is a key part of our growth strategy and the Non-Executive Directors have visited the Group's operations where possible. Due to COVID restrictions they have not travelled overseas in 2022, however, significant travel to visit overseas operations is planned for 2023.

Looking ahead

Following our performance in the year to 31 December 2022, the Board is now focused on improving the business performance in 2023. Given the difficulties of managing the business during the uncertainty caused by the COVID pandemic and regretfully, the turmoil in Ukraine that happened in the Spring of 2022, the Board continually discusses our risk management structures as it is clear the Group needs to be prepared for uncertain times ahead. We have placed a significant emphasis during the year on the safety of our employees with further additional investments for COVID compliance, especially in our Asia facilities, communication training and employee welfare programmes.

We have made significant progress in relation to our ESG reporting. The Group is actively engaged in reducing our carbon footprint and is now looking in some detail at our supply chain.

We will continue to focus on delivering attractive long-term returns for shareholders, behaving responsibly to all of our stakeholders, employees, suppliers and customers and, importantly, the community in which our business operates.

Robin Totterman
Chairman

03 May 2023

HOW THE BOARD OPERATES

The Board is responsible for the Group's overall strategy and for the overall management of the Group.

The Strategic Report outlines the key approach of the Board to ensuring and promoting the long-term sustainable growth of the Group for all shareholders.

See **Pages 2 – 40**

The main matters for consideration by the Board include:

- Financial reporting and financial controls Monitoring of health and safety across the Group
- Approval of material contracts and Group expenditure
- Communication with stakeholders
- Financing and capital adequacy of the Group
- Agreeing budgets and forecasts
- Reviewing acquisitions
- Oversight of the Executive Committee

Overview of governance structures

The Board structure is designed to ensure that it focuses on the Group strategy whilst at the same time monitoring its performance and reviewing the controls and risk of the Group. The Board considers that the governance structures allow for the operation of the Group in an open and straightforward culture without over-delegation of responsibilities.

Stakeholders

Board

The Board of Directors are responsible for overviewing the Group's strategy and ensuring that it delivers long-term growth in a sustainable manner for the benefit of the Group's shareholders and stakeholders.

Board Committees

Each Board Committee has documented terms of reference agreed by the Board. These are regularly reviewed and are available on the Group's corporate governance website.

Audit and Risk Committee

The Committee is responsible for:

- Overseeing the Group's financial reporting
- Overseeing the Group's internal control framework and risk management process
- Overseeing the relationship with the external auditors and monitoring their independence

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for:

- Reviewing the structure, size, and composition of the Board
- Succession planning for Directors and other senior executives
- Promoting diversity, equity and inclusivity
- Setting, reviewing, and recommending the policy on the remuneration of the Executive Directors
- Overseeing the senior management team and general workforce remuneration approach
- Monitoring the implementation of the remuneration policy
- Overseeing the alignment of the reward, incentives and culture

Environmental, Social and Governance Committee

This Committee was established in 2022.

The Environmental, Social and Governance Committee is responsible for:

- Overseeing the Group's sustainability framework, focus and strategy
- Monitoring the Group's sustainability impact and performance
- Providing guidance for the developing environmental challenges, which includes environmental risk and the impact this will have on the Group
- Overseeing the Group's ESG reporting, including external audit and assurance requirements

Executive committee

The executive team is responsible for the day-to-day running of the Group's business, improving its performance and ensuring future long-term growth and development.

Senior management

The Group has a wealth of experienced senior managers across the globe, all of whom have high levels of industry experience.

HOW THE BOARD OPERATES CONTINUED

Board meetings

Six Board meetings were scheduled in 2022, four to review quarterly updates, and two one-day meetings to agree the interim and year-end financial accounts. During 2022, the Board met more frequently than was planned, for a total of ten meetings, specifically to review the performance issues arising in the year and the deterioration in some of the Group's key trading markets noted in October 2022.

Scheduled meetings	Board	Remuneration and Nomination Committee	Audit and Risk Committee	ESG Committee
Lord Ian MacLaurin	8/10	1/2	2/2	–
Robin Totterman	10/10	–	–	–
Christopher Kay	10/10	–	–	–
Christopher Hancock	10/10	2/2	2/2	–
Richard Peck*	9/10	2/2	2/2	1/1
Angela Farrugia	10/10	–	–	1/1

* Attendance at the committee meetings was prior to becoming CEO.

Shaun Smith and Hugo Adams joined the board on 1 December 2022. There were no board meetings between their date of joining and 31 December 2022 and therefore, they have not been included in the above table.

Directors are expected to attend all meetings of the Board and the Committees on which they sit. In the event of a Board member not being able to attend their respective Committee or Board meeting, their comments are passed to the Chairman.

Board Committees

The Board has delegated some specific responsibilities to the Audit and Risk Committee, Remuneration and Nomination Committee and ESG Committee.

The respective reports are shown on pages 50 to 57.

Board composition

The Board believes it has the right skill sets, knowledge and up-to-date experience to perform its duties responsibly. This allows the Board to deliver on the Group's strategy of long-term growth of the Group for the benefit of all stakeholders.

The Board fully supports the Financial Conduct Council's aim of encouraging diversity.

A full breakdown of gender representation for Directors is shown on page 30.

Board and Board Committee effectiveness review

In 2022 the Board carried out an internal review of its effectiveness and its performance in 2021. This review included:

- Response to new events and unscheduled developments
- Review of financial information and performance of the business
- Acquisitions
- Conduct rigorous discussion and debate
- Setting strategy
- Composition of the Board and future development
- Training and development
- Operational effectiveness

The outcome of this review was a need to strengthen the financial and operational skills of the board. To respond to this outcome, the Board recruited two new non-executive Directors; Shaun Smith and Hugo Adams. Please refer to page 48 for their respective biographies.

Board members' independence

The Board considers and ensures that each of the Non-Executive Directors are independent of management. Richard Peck who became CEO on the 1 December 2022 remained independent in his role as a Non-Executive Director up to this date. The Board is led by the Chairman who ensures fair and constructive debate where appropriate.

The founder and Executive Chairman has a substantial shareholding in the Group, but this does not detract from the Board's ability to exercise independent judgement and enquiry.

All Non-Executive Directors are considered to be independent in both their character and judgement and confirm that they are free of relationships or other circumstances that could impact on their independence.

The Board delegates specific matters to three sub-committees with the ESG Committee being the most recent committee.

The Audit and Risk Committee is responsible for overseeing the Group's financial reporting, risk management, and internal controls, and liaises closely with the Group's external auditors. Full details of this Committee's work is set out on pages 50 to 52 of this report.

The Remuneration and Nomination Committee is responsible for establishing procedures for setting executive remuneration policy and executive pay. The Committee met during the year and full details of its work during the year is given on pages 53 to 56 of this report. The Committee is also responsible for leading Board appointments.

The ESG Committee is responsible for overseeing and reporting to the Board on a six-monthly basis the environmental, social and governance matters across the Group.


Marc O'Polo

HOW THE BOARD OPERATES CONTINUED

Conflicts of interest

The Board ensures that each member of the Board declares any interest in matters to be discussed and regularly reminds Board members of their duty to disclose any potential conflicts of interest.

Directors' and Officers' liability insurance

The Group has purchased Directors' and Officers' insurance during the period and holds insurance to the benefit of the Directors.

Senior Independent Director

Christopher Hancock is the Senior Independent Director and is also Deputy Chair-elect, and will act as the Chairman's alternate when required.

Development

The Board engages with the Group's external advisors, principally our nomad, Peel Hunt and our Group corporate lawyers Macfarlanes, to keep up to date with changes to relevant legislation.

Election of Directors

All Directors will offer themselves for re-election at the forthcoming Annual General Meeting.

Relationship with stakeholders

Continuing engagement with shareholders and stakeholders in the Group is of prime importance to the Board. This communication includes both the Annual Report and Accounts and interim accounts, and RNS releases when appropriate.

The Group communicates through its website www.INSPECS.com and investor information is available on the website.

The Non-Executive Directors are available to discuss matters that stakeholders may wish to raise and the Executive team holds meetings with investors on a timely basis.

The Group has regular reviews from material customers on its performance and these are closely monitored, and the Group maintains regular communication with a wide range of stakeholders.

Annual General Meeting

The Annual General Meeting of the Group will take place on the 15th of June 2023. The Notice of Annual General Meeting and the Ordinary and Special Resolutions to be put before the meeting are contained in the Notice of the Annual General Meeting accompanying this Annual Report. The AGM is an opportunity for shareholders to ask questions relating to the Group. It will be held at the Group's office in Bath and will also be available on Zoom with details of how to join given in the Notice of Meeting.

Corporate Governance Code

The Board recognises the corporate responsibility in the way that INSPECS operates around the globe. The Board has adopted the Quoted Companies' Alliance Corporate Governance Code for small and mid-sized quoted companies, known as the QCA Code.

HOW THE BOARD OPERATES CONTINUED

The Board is accountable to a wide range of stakeholders and to ensuring its primary goal of long-term sustained growth whilst acting in a sustainable manner. Examples of our continued work on sustainability are covered in pages 24 to 31 of this report.

The Board has ultimate responsibility for internal control and how we manage this process is shown on page 51.

Our gender diversity is shown on page 30 of this report. Our compliance with the QCA Corporate Governance Code principles is reported on below:

The QCA Corporate Governance Code

Governance Principles	Compliant	Explanation	Further Reading
Deliver growth			
1 Establish a strategy and business model which promotes long-term value for shareholders.	✓	The Board is responsible for Group strategy and its implementation. This strategy is debated and tracked by the Board who monitors its progress.	See pages 5 to 10 to learn more about our strategy and business model.
2 Seek to understand and meet shareholders' needs and expectations.	✓	Meetings are held with investors and analysts after the release of half-yearly interim and final accounts. The AGM provides a forum for all shareholders to meet and hear from the Directors. Shareholder comments and suggestions are welcomed by the Board.	See pages 35 to 37 to see how we communicate. Further information is available on our website www.INSPECS.com.
3 Take into account wider stakeholders and social responsibilities and their implications for long-term success.	✓	The Board has identified the key stakeholders in the business and discusses the impact of the long-term growth strategy and how our business model may affect these stakeholders.	See pages 35 to 37 to see how we communicate and deal with our stakeholders.
4 Embedded effective risk management, considering both opportunities and threats throughout the organisation.	✓	The Audit and Risk Committee regularly reviews risks to the Group, both internal and external. Health and Safety is of paramount importance and is a standing Board meeting agenda item.	See pages 37 to 40 for further detailed information on risk management.
Maintain a dynamic management framework			
5 Maintain the Board as a well-functioning, balanced team led by the Chairman.	✓	The Board consists of four Non-Executive Directors with relevant experience, an Executive Chairman, and the CEO and CFO. The Board has a wealth of experience on strategy, operations and financial matters. The Executive Chairman engages in open debate and new strategies are challenged.	See Board Director information on page 48 for further guidance.
6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	✓	The Board believes that it has the required skills and correct balance of capabilities to manage the Group. Members of the Board keep their skill levels up in a variety of ways throughout the year.	See page 48 for further guidance.
7 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	✓	During 2022, the Board undertook an evaluation of its 2021 performance. To ensure it had the required necessary collective skills. This review will continue to take place on an annual basis.	The criteria to be used to evaluate the Board is set out on page 45.
8 Promote a corporate culture that is based on ethical values and behaviours.	✓	The Board promotes and encourages, across the Group, the core values of the Group. The aim is to deliver continual improvement in both the economic performance of the Group and in its ability to meet its social responsibility to the wider community.	See pages 42 and 43 of the Corporate Governance Report.
9 Maintain a governance structure and processes that are fit for purpose and support good decision-making by the Board.	✓	The Board's governance model is widely known as the unitary system. The Board is aided by three subcommittees to undertake specific work. The Board has regular information flows and has regular meetings to ensure it has the ability to review, debate and make well-informed decisions.	See more information on the Committee Reports on pages 50 to 57.
Build trust			
10 Communicate how the company is governed and is performing by maintaining dialogue with shareholders and other relevant stakeholders.	✓	INSPECS has open communication with a wide range of stakeholders. This includes regular updates with investors, yearly and half-yearly reports and regulatory news service releases on key corporate matters.	See pages 35 to 37 of the Strategic Report.

HOW THE BOARD OPERATES CONTINUED

Committee Membership Key

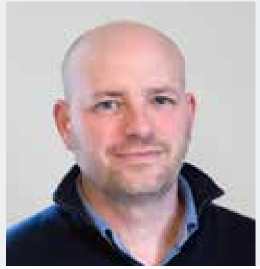
- Audit & Risk Committee
- Remuneration & Nomination Committee
- Environmental, Social and Governance Committee
- C Chairman

Board of Directors (executive team)









Robin Totterman
Chairman

Richard Peck
Group Chief Executive Officer

Chris Kay
Group Chief Financial Officer

Christopher Hancock FCA
Independent Non-Executive Director

Angela Farrugia
Independent Non-Executive Director

Shaun Smith
Independent Non-Executive Director

Hugo Adams
Independent Non-Executive Director

Tenure

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

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

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

Christopher has served as a Board member since 8 March 2017.

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

Shaun was appointed as a member of the Board on 1 December 2022.

Hugo was appointed as a member of the Board on 1 December 2022.

Skills, competence and experience

Robin Totterman is an entrepreneur and forerunner in the branded eyewear industry with over 31 years of 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 and Banque Paribas.

Richard Peck has over 38 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.

Chris Kay is a qualified chartered accountant and became a partner of Thorne Lancaster Parker, a UK accountancy and taxation firm, in 1992. He became Finance Director of INSPECS in 2013 and works closely with Richard Peck and Robin Totterman on strategy for the Group. Chris's business development and M&A experience was pivotal to the execution and integration of INSPECS' Killine Group acquisition in 2017 and further acquisitions of Norville and Eschenbach in 2020.

Christopher Hancock FCA has 31 years of 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 in public markets.

Founder of one of the most successful brand management companies 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, she has 22 years of operating experience gained within a challenging international business environment.

Shaun is a qualified treasurer and has extensive plc experience having previously held CFO roles with Norcros plc and Aga Rangemaster Group plc. In his role at Aga Rangemaster Group plc, Shaun helped oversee the transformation of the business into an international brand-led manufacturer and retail group. Shaun has served as a Non-Executive Director on public company boards since 2016, including terms as Audit and Nomination Committee chair. He is currently the Non-Executive Chairman of Driver Group plc and a Non-Executive Director of Epwin Group plc.

Hugo has more than 25 years' experience working for some of the biggest and best-known global consumer brands including The Body Shop, and running marketing and international expansion at Dyson. During nine years at Marks and Spencer Group PLC he managed businesses across Europe and the Middle East, as well as being Chief of Staff to the CEO and subsequently Property Director. Hugo served on the Executive Board at Superdry Plc, responsible for marketing and business development, and most recently as CEO of Start-Rite Shoes.

SENIOR MANAGEMENT

Group's senior team

The Group's senior team plays an integral part in ensuring the strategic plans are managed throughout the business and works closely with each subsidiary senior team to oversee finance, risk and all ESG areas. The Group's senior team reports to the Board and the Board Committees on all matters.

ESCHENBACH

KILLINE

INSPECS LTD

TURA

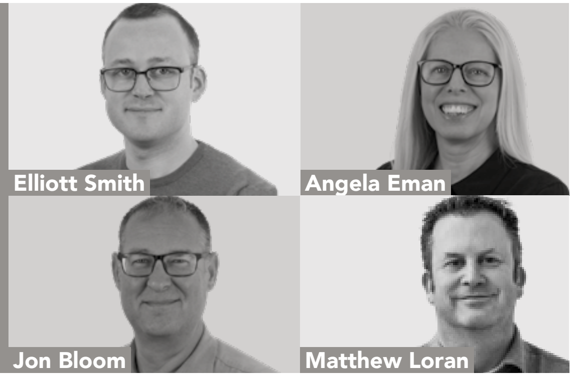
INSPECS USA

Norville

EGO EYEWEAR

BODE DESIGN

INSPECS GROUP PLC



AUDIT AND RISK COMMITTEE REPORT

Christopher Hancock FCA
Chair of the Audit and
Risk Committee

2
Meetings during 2022

3
Committee members

Meetings during 2022
Attendance

Christopher Hancock (Chair)	2
Lord MacLaurin	2
Richard Peck	2

Christopher Hancock

Lord MacLaurin
(to 1 December, 2022)

Richard Peck
(to 1 December, 2022)

Hugo Adams
(from 1 December, 2022)

Shaun Smith
(from 1 December, 2022)

The Audit and Risk Committee is responsible for the following main areas.

- Ensuring compliance with rules, legislation and best practice for reporting on the financial and other affairs of the Group
- Reviewing the internal control and risk management systems
- Advising on the suitability, effectiveness and independence of the external audit process
- Reviewing the extent of, and policy for, non-audit services provided to the Group by the external auditors
- Engaging with the external auditors and ensuring the scope of the audit is acceptable
- Monitoring the disclosures in the Annual Report and Accounts
- Reviewing changes in accounting policies
- Review of the Annual Report and Accounts to ensure its completeness and fairness and understandability
- Review of interim announcements
- Review of going concern, key judgements and significant accounting policies
- Reviewing the carrying values of intangible assets

Membership

The members of the Committee are all independent Non-Executive Directors in compliance with the QCA Code. The Committee is chaired by Christopher Hancock and, until 30 November 2022, the other members of the Committee were Lord MacLaurin and Richard Peck, who up until that date, were both Non-Executive Directors. On 1 December Richard Peck was appointed Chief Executive Officer of the Group and Lord MacLaurin retired. They were replaced on the Committee by two new independent Non-Executive Directors, Hugo Adams and Shaun Smith, both of whom bring extensive public company experience to their roles. See Director biographies on page 48 for further details.

Meetings and attendance

The Audit and Risk Committee is mandated to meet at least three times a year.

In 2022, the issues arising from the 2021 audit were sufficiently material that they were considered by the Group Board at four Board meetings called specifically to deal with these matters. The Committee met separately on two other occasions to consider its other business.

The Committee has unrestricted access to the Group's external auditors and has meetings with external auditors without management present.

The Group CFO attends the meetings of the Committee by invitation.

The Group Company Secretary serves as secretary of the Committee and ensures that the Committee receives information and papers in a timely manner.

Independent External audit

The external auditors EY were reappointed on 11 August 2022.

Fees, effectiveness and independence

The Audit and Risk Committee undertakes a review of the effectiveness and independence of the Group's auditors. Following the acquisition of Eschenbach, in the interests of quality and efficiency, it was determined that audit work should be consolidated with EY. The fee increase for the 2022 audit is primarily due to additional scope coverage of new ISA 315 and 240 as well as inflationary pressure.

The Committee reviews the level of non-audit work performed by the Group's auditors to ensure that there is not a risk to their independence.

The fee for the audit to 31 December 2022 is $1,734,000 (2021: $1,404,000).

The non-audit fees paid to EY were nil (2021: Nil).

EY has served as the Group's auditors since 2020. The Committee's terms of reference call for consideration of a tender of the audit service every three years. In light of the additional work required for the 2021 audit which resulted in a delay to the issue of the 2021 accounts, it was determined best not to tender the audit this year.

Change of Audit Partner due to rotation requirements

The Group's Audit Engagement Partner at EY was obliged to retire by rotation having served five years in role. The Committee, having met with the new partner prior to appointment, satisfied itself that the new partner had the requisite skills and experience to take over the audit. The Committee also consider that the appointed auditor's capabilities and global reach are appropriate in comparison to the scale of the Group.

Internal audit

The Committee reviewed whether there was a need for the Group to have an internal audit function and recommended to the Board that one be established. The inception of an internal audit function was agreed by the Board in principle and was expected to be put in effect in 2022 but, following a series of changes in the finance team, this was delayed. The internal audit department is now expected to be established in 2023.

Risk governance

The Audit and Risk Committee met twice in the year with the Group ESG, Compliance and Risk Officer to consider the Group's risk register comprising the risks faced by the Group and the adequacy of the controls and policies in place to mitigate them. The results of this review are set out under Risk Management on pages 37 to 40.

Internal control environment

The Group uses both manual and automated systems to control, monitor and report risk matters. The principal elements of the Group's internal control are:

- Cash management monitored by the Group treasury function
- A comprehensive annual budgeting process producing detailed profit and loss, balance sheets, and cash flows, updated on a rolling 12-month basis
- Comprehensive monthly reporting of KPIs, key risk areas, capital expenditure and compliance with covenants on banking facilities
- Open and transparent communication between senior executive management and the Board ensures issues are raised on a timely basis
- Key risks, including reasonableness of market forecasts, covenant compliance and Health and Safety issues, are standing Board agenda items

Significant financial judgements

During the year the Audit and Risk Committee considered the following significant issues regarding the financial statements and having reviewed them were satisfied that they were appropriately stated.

- The Committee has reviewed the going concern forecast for the period to 30 June 2024. This review focused in particular on the headroom on the covenants and considered management's response to potential disruption of supply chains, cost increases and geopolitical instability
- Goodwill and intangible assets are significant values in the balance sheets and the Committee reviewed any potential impairment that might be required, the cash flows of the CGU (cash-generating units) and the discount rates applicable to the CGU along with sensitivity analysis
- The Committee reviewed the tax provisions recognised relating to permanent establishment risks and the position taken as at 31 December 2022
- The Committee reviewed the prior period adjustment recorded in relation to contingent consideration arising on acquisitions. See pages 112 and 113 for the prior period adjustment noted.

- The Committee has reviewed the adjustment in relation to the valuation of case inventory in accordance with IAS2. It has considered the treatment of the adjustment against goodwill in relation to cases acquired as part of the Eschenbach acquisition
- The Committee reviewed the impact of the technical covenant breach as at the year end date, and the impact on the classification of loans to current liabilities

Recommendations arising out of the audit

Following the issues arising in the 2021 audit, the Committee recommended a strengthening of the finance team both at Group and subsidiary level. An additional position was created in the finance team and Matthew Loran was appointed as Head of Group Management Reporting in November 2022. The Audit Committee also recommended strengthening the financial reporting process around inventory across the Group, this has been actioned by the Senior Management team during 2022.

Whistleblowing, Fraud and Bribery Acts

The Group has in place a whistleblowing policy which is given to all employees on joining and updated yearly. All findings are reviewed by the Group ESG, Compliance and Risk Officer and reported to the Board. The policy sets out a formal process by which employees may, in confidence, raise concerns in respect of the Group's activities. These include any financial improprieties, in reporting or in other matters. The Group is committed in all respects to a zero-tolerance attitude with regards to bribery.

During the year the Group completed an anti-bribery and corruption questionnaire. It was distributed to the Board, senior teams, relevant customer and supplier facing positions. The results of this questionnaire will be reviewed and training will be directed to specific learning objectives within the Group, along with a general training update.

REMUNERATION AND NOMINATION COMMITTEE REPORT

Christopher Hancock FCA
Chair of the Remuneration and Nomination Committee

2
Meetings during 2022

3
Committee members

Meetings during 2022
Attendance

Christopher Hancock (Chair)	2
Lord MacLaurin	1
Richard Peck	2

Christopher Hancock

Lord MacLaurin
(to 1 December, 2022)

Richard Peck
(to 1 December, 2022)

Hugo Adams
(from 1 December, 2022)

Shaun Smith
(from 1 December, 2022)

The Remuneration and Nomination Committee is responsible for making recommendations to the Board on all elements of the remuneration, terms of service or employment, reward structure and fringe benefits for Executive Directors, Non-Executive Directors and senior management with the aim of attracting, retaining and motivating individuals of the highest quality. The Committee is responsible for ensuring the appropriate Board balance and size, and that the Board members have the required mix of skills, experience and other core competencies.

Membership

The members of the Committee are all independent Non-Executive Directors in compliance with the QCA Code. The Committee is chaired by Christopher Hancock and until 1 December, 2022 the other members of the Committee were Lord MacLaurin and Richard Peck, who at that time, were both independent Non-Executive Directors. On 1 December Richard Peck was appointed Chief Executive Officer of the Group and Lord MacLaurin retired. They were replaced on the Committee by two new independent Non-Executive Directors, Hugo Adams and Shaun Smith, both of whom bring extensive public company experience to their roles. See Director biographies on page 48 for further details.

Meetings and attendance

The Committee is mandated to meet at least twice per year. Non-committee members may be invited to attend meetings from time to time to provide additional expertise and assistance.

The Committee is in particular supported by the Group ESG, Compliance and Risk Officer, Angela Eman.

The Company Secretary serves as secretary of the Committee and ensures that the Committee receives information and papers in a timely manner.

Remuneration

Remuneration policy

The Committee's aim is to set a remuneration policy to attract and motivate high calibre Directors and senior management within the Group and to focus them on delivery of the Group's strategic and business objectives.

In 2022, the remuneration of Directors and senior executives of the Group comprised the following elements:

- Contracted base salary
- Performance-based annual bonus
- Long-term share incentives
- Pension and other contracted benefits

During the year, the Group commissioned a leading accountancy firm to perform a review of Director and senior executive remuneration and to benchmark current levels against the market. This survey demonstrated that the pay of Board Directors was below that of comparable companies while the structure of both short-term and long-term incentives was inadequate to properly align the objectives of executives with the Group's strategic objectives.

The Committee has therefore recommended that a review of executive pay, including the structure of short- and long-term incentives, be undertaken in 2023. This review will look to embed in the proposed structure the principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture.

Executive Director service contracts

The Chairman, Robin Totterman, and CFO, Chris Kay, signed service contracts on admission of the Group to AIM on 27 February 2020. Richard Peck entered into a new contract on becoming CEO on 1 December 2022. Richard Peck's salary as CEO is £265,000 per annum which is in line with the parameters provided in the benchmarking survey referenced above, having consideration for the size and complexity of the Group. Robin Totterman also entered into a new contract on becoming Chairman.

Directors' contracts have no fixed duration and are terminable with six months' notice. Where possible, the Committee Chairs and members of the Committees should be rotated on a regular basis, and all Directors are subject to re-election at each AGM.

Short-term incentive – 2022 annual bonus

Due to the disappointing outcome of the Group's key performance indicator of adjusted underlying EBITDA which reduced from $27.6m to $19.2m, no bonuses will be paid to the Executive Directors in relation to 2022.

Long-term incentive plan (LTIP)

The Prospectus issued on admission of the Group to AIM on 27 February 2020 included the details of a Long-Term Incentive Plan to issue options on an annual basis at the mid-market price to Executive Directors and key senior employees up to a maximum aggregate of 10% of the issued of share capital of the Group in any 10-year period.

Options have been issued each year since admission in accordance to this plan. During the year further options were granted under the LTIP to both the Executive Directors and senior employees. The total amount of options granted to them and the respective issue prices are set out below.

These options have a three-year vesting period from the date of grant. The total LTIP options outstanding as at 31 December 2022 were 5,435,181 and this represents 5.3% of the Group's issued share capital as at 31 December 2022 amounting to 101,671,525 shares of 0.01p each.

Changes in 2023

Following feedback from shareholders and informed by a review of remuneration commissioned by the Group from a leading accountancy firm, the remuneration package of each of the Executive Directors in 2023 will be redesigned to include a performance-related short-term incentive (bonus) and performance-related long-term incentives to be provided by way of share options.

Non-Executive Directors

Non-Executive Directors are paid a base fee for serving as a Director with an additional fee for serving on each Committee. NEDs receive no bonus or LTIP.

Name	Option granted	Date	Price £
Robin Totterman	150,000	22/12/2020	2.10
	50,000	23/12/2021	3.70
Christopher Kay	549,460	27/02/2020	1.95
	150,000	22/12/2020	2.10
	183,153	26/02/2021	3.25
	50,000	23/12/2021	3.70
	183,153	28/02/2022	3.75
Senior employees	2,483,650	31/12/2020	2.07*
	1,177,882	31/12/2021	3.61*
	457,883	28/02/2022	3.75

Note: Options originally granted to Lord MacLaurin lapsed on his retirement. Options granted to Christopher Hancock and Angela Farrugia to reflect their work on the Eschenbach acquisition on 16 December 2020 were cancelled during the year in order to align the NEDs remuneration with best practice. No further share options have been granted to Non-Executive Directors.

* Weighted Average

Directors' interest in shares

The interests of the Directors as at 31 December 2022, including their spouses, dependents and close family members, in the Ordinary Shares of the Group were:

	2022	2021
Robin Totterman	**18,625,005**	19,861,213
Christopher Kay	**2,178,730**	2,200,000
Christopher Hancock	**18,940**	16,440
Richard Peck	**9,523**	9,523
Angela Farrugia	**31,904**	11,904
Shaun Smith (appointed 01/12/2022)	**–**	–
Hugo Adams (appointed 01/12/2022)	**16,500**	–

Directors' employment and pension contributions to 31 December 2022

	USD		
	Salary/Fees	Taxable benefits	Total remuneration
Lord MacLaurin	49,891	–	49,891
Robin Totterman	316,200	1,370	317,570
Chris Kay	281,617	19,260	300,877
Christopher Hancock	59,375	–	–
Richard Peck	124,944	–	–
Angela Farrugia	61,539	–	–
Shaun Smith	5,154	–	–
Hugo Adams	5,669	–	–

Directors' employment and pension contributions to 31 December 2021

	USD		
	Salary/Fees	Taxable benefits	Total remuneration
Lord MacLaurin	56,494	–	56,494
Robin Totterman	328,095	1,524	329,619
Chris Kay	291,640	28,129	319,769
Christopher Hancock	61,630	–	61,630
Richard Peck	61,630	–	61,630
Angela Farrugia	46,222	–	46,222

Transactions with Directors

The only transactions between the Directors and the Group were as follows:

Kelso Place LLP

Rent is payable by INSPECS Limited to Kelso Place LLP on Kelso Place, the headquarters of the Group. This rent is reviewed to ensure it is on a normal commercial basis and amounted to $163,898 in the year to 31 December 2022 (2021: $182,275). The building is owned by Kelso Place LLP, of which Robin Totterman is the controlling partner.

Thorne Lancaster Parker

Chris Kay, a Director of the company is also a partner in Thorne Lancaster Parker. During the year the partnership charged INSPECS Limited $10,000 (2021: $53,000) in respect of professional services provided. On 31 December 2022, INSPECS Limited owed Thorne Lancaster Parker $4,000 (2021: $nil) in respect of the above, with this balance included within trade payables. During the year the partnership charged Norville (20/20) Limited $9,000 (2021: $14,000) in respect of professional services provided, with $2,000 being owed at the end of the year (2021: $4,000).

Consultancy Costs

In addition to a Non-Executive Director salary, A Farrugia, a Non-Executive Director of the Group, was paid $17,000 (2021: $nil) during the year in respect of brand consultancy services.

Share price movement

The price movement of the shares in the Group from the lowest to highest in the year is set out below:

Highest market price in the year	£4.08
Lowest market price in the year	£0.38

Other work of the Committee in the year

Appointment of new NEDs and CEO

Following the decision that Robin Totterman would become Chairman and Richard Peck would become Chief Executive Officer on the retirement of Lord MacLaurin, effective 1 December 2022, the Committee helped to set the parameters for the recruitment and appointment of two replacement Non-Executive Directors, both of whom were expected to have experience of working in larger, international listed companies and who, between them, should have recent experience of sitting on both Audit and Risk and Remuneration and Nomination committees.

As Richard himself was previously a member of the Remuneration and Nomination Committee the selection of the new CEO and their remuneration was determined by the executives at the Board level, rather than by the Remuneration and Nomination committee. Following his appointment as CEO, Richard resigned from the Remuneration and Nomination Committee.

NED remuneration

In order to ensure that the remuneration being offered would be sufficient to attract new Non-Executive Director candidates of the right calibre, the Committee commissioned a leading accountancy firm to benchmark current Non-Executive Director remuneration against the market. As a result of this review, the Committee recommended that adjustments were made to the pay of Non-Executive Directors in December 2022.

Following the review, NEDs will receive £40,000 per annum as a base fee and £5,000 for each Committee on which they serve.

Board effectiveness review

The Committee commissioned a self-review of Board effectiveness during the year which found that of 192 areas examined, 120 were good or outstanding, 70 required some improvement and in 11, significant improvement was required. These areas have begun to be addressed as a priority and included

- Engagement with and reporting on ESG
- Recruitment of NEDs with plc experience
- Review of functions of Board Committees
- Independent review of Board remuneration
- Greater involvement of Board in setting goals and decision-making
- Improved communication with Board members

Diversity, equity and inclusion

The Committee specifically looked to hire new Non-Executive Directors who would bring greater diversity to the Board. Unfortunately, it was unable to secure any of the candidates who would have increased the diversity of the Board. The Board remains committed to this objective.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE REPORT

Angela Farrugia
Chair of Environmental, Social and Governance Committee

1
Meetings during 2022

3
Committee members

Meetings during 2022

Attendance

Richard Peck	1
Angela Farrugia	1

Angela Farrugia
(from 1 November 2022)

Richard Peck
(to 1 December 2022)

Hugo Adams
(from 1 December 2022)

Christopher Hancock
(from 1 December 2022)

The Environmental, Social and Governance Committee is responsible for the following areas:

- To support the Board in fulfilling its obligations to the Group and comply with all statutory, legal and regulatory requirements and standards in relation to all ESG matters.
- Independently review actions to ensure the Group's consideration with environmental, social and governance matters and report to the Board and shareholders, as appropriate.
- Define and further develop ESG goals and objectives and key metrics are monitored and fairly reported.
- Monitor the Group's ESG performance and execution, ensuring that it addresses matters of material impact.
- Provide oversight and approval of key policies and projects required to implement the ESG strategy and roadmap.
- Review current and emerging ESG trends, relevant international standards and legislative requirements.
- Review the effectiveness and performance of ESG projects and initiatives.
- Offer recommendations to the Board on any of the matters listed above that the Committee considers appropriate.

Membership

The members of the Committee are all independent Non-Executive Directors in compliance with the QCA Code. The Committee is chaired by Angela Farrugia and until 30 November 2022 the other member of the Committee was Richard Peck, who at the time was an independent Non-Executive Director. On 1 December 2022, Richard Peck was appointed Chief Executive Officer of the Group. He was replaced on the Committee by two independent Non-Executive Directors, Hugo Adams and Christopher Hancock, their biographies are on page 48.

Meetings and attendance

The Committee will meet at least twice per year. Non-committee members may be invited to attend meetings from time to time to provide additional expertise and assistance.

The Committee is in particular supported by the Group ESG, Compliance and Risk Officer, Angela Eman and the Head of Innovations, Nick Youle.

The Committee ensures that all minutes are taken and that the Committee receives information and papers in a timely manner.

The ESG Committee's first meeting was held in November 2022. The meeting focused on the Group's overall approach to ESG and our ESG roadmap to include:

- Review of community partnerships and charity support throughout the Group.
- Parameters for Group sustainability reporting.
- Social initiatives, including student placements, focus groups and global opportunities to expand initiatives to continue to inspire and learn at all levels throughout the Group.
- Overview of sustainable product and packaging concepts and updates on ongoing innovation projects.
- Progress of governance activities undertaken during 2022 including, but not limited to, Anti-Bribery and Corruption (ABC) risk assessment questionnaires and the development of our Group Code of Conduct and Risk Framework.

The Committee's 2023 focus will continue to evaluate our ESG Roadmap. The Committee recognises the importance of Group collaboration for data recording, knowledge sharing and will continue to promote a sustainable outlook across the Group.

DIRECTORS' REPORT

Chris Kay
CFO, Director

The Directors present their report together with the audited financial statements for the year ended 31 December 2022. The Corporate Governance Statement on pages 42 and 43 also forms part of this Directors' Report.

Review of business

The Chairman's Statement on pages 3 and 4, and the Strategic Report on pages 3 to 40 provides a review of the business, the Group's trading for the year ended 31 December 2022, key performance indicators and an indication of future developments.

Principal activity

The principal activity of the Group in the year was that of design, production, sale, marketing and distribution of high fashion eyewear, lenses and OEM products worldwide.

Result and dividend

The Group has reported its Consolidated Financial Statements in accordance with International Financial Report Standards (IFRS).

The Group results for the year are set out in the Consolidated Statement of Comprehensive Income on page 73. The Company financial statements have been prepared under FRS 101 for the year ended 31 December 2022.

The Group's revenue of $248.6m (FY21: $246.5m), gross margin of 49.2% (FY21: 47%) and loss after tax of $7.8m (FY21: loss $5.4m) represent the effects of a turn down in our European business following uncertainty in relation to consumer confidence, principally caused by the political situation in Ukraine. Our results were also depressed due to adverse exchange movements in the second half of 2022, in particular the decrease in the Euro against the USD.

	Reported IFRS	
Period ended	**31 December 2022**	31 December 2021
Revenue ($m)	**248.6**	246.5
Gross margin %	**49.2**	47.0
Loss after tax ($m)	**(7.8)**	(5.4)

The Board is not recommending a dividend (FY21: 1.25p).

THE GROUP'S REVENUE OF

$248.6m

(FY21: $246.5m).

LOSS AFTER TAX OF

$7.8m

(FY21: loss $5.4m).

Directors

The Directors of the Group during the year were:

Executive	Non-Executive
Robin Totterman (Chairman, CEO to 1 Dec 2022)	Lord Ian MacLaurin (Retired 1 Dec 2022)
Richard Peck (CEO, NED to 1 Dec 2022)	Christopher Hancock
Christopher Kay (CFO)	Angela Farrugia
	Shaun Smith (Appointed 1 Dec 2022)
	Hugo Adams (Appointed 1 Dec 2022)

The names of the Directors, along with their brief biographical details, are given on page 48.

Political donations

The Group made no political donations in the financial period.

Disclosure of information to auditor

As far as the Directors are aware, there is no relevant audit information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware, and each Director has taken all reasonable steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Financial risks

The financial risk management objectives of the Group, including credit risk, interest rate risk and foreign exchange risk, are provided in note 33 to the Consolidated Financial Statements on pages 110 to 112.

Share capital structure

At 31 December 2022, the Group's issued share capital was £1,016,715 divided into 101,671,525 Ordinary Shares of 0.01p each. The holders of Ordinary Shares are entitled to one vote per share at the general meetings of the Group.

Directors' interests

The Directors' interests in the share capital of the Group at 31 December 2022 and 2021 is shown below:

	2022	2021
Robin Totterman	**18,625,005**	19,861,213
Christopher Kay	**2,178,730**	2,200,000
Lord Ian MacLaurin (retired 01/12/2022)	**71,428**	78,346
Christopher Hancock	**18,940**	16,440
Angela Farrugia	**31,904**	11,904
Richard Peck	**9,523**	9,523
Shaun Smith (appointed 01/12/2022)	**–**	–
Hugo Adams (appointed 01/12/2022)	**16,500**	–

Substantial shareholdings

At 31 December 2022, the Group had been notified of the following substantial shareholdings comprising of 3% or more of the issued Ordinary Share capital:

	% of issued share capital
Robin Totterman	**18.3%**
Canaccord Genuity Group Inc	**17.6%**
Amati Global Partners	**5.6%**
Liontrust Asset Management	**5.6%**
Hargreaves Lansdown	**4.7%**
Royal London Asset Management GIS Ltd	**3.9%**
Invesco Asset Management Limited	**3.7%**
Stonehage Fleming	**3.1%**

Share option schemes

Details of employee share scheme, are set out in note 32 to the Consolidated Financial Statements.

Purchase of own shares

There was no purchase of our own shares in the period.

Going concern

As a result of the political situation in Ukraine the Group saw some disruption in 2022. The disruption was mainly caused by global inflationary pressures, the continuing impact of COVID in Asia, cost of living rises, exchange rate turbulence with a strengthening USD and loss of consumer confidence. The Group also suffered from a decrease in external revenue in our Lens business, Norville. As discussed in the CEO's review, Norville's relocation from its old site to a new state-of-the-art facility caused significant disruption which caused operating losses in the lenses segment to increase significantly from $2.7m in 2021 to $5.0m in 2022. Despite a positive first half to 2022, the Group suffered a downturn in business in the second half of the year, resulting in a trading update RNS announcement in October 2022. The Group traded above expectations in December 2022 and as a result the outturn is ahead of the October 2022 reforecast.

The Directors have considered the Group's financial forecasts, borrowing levels, leverage, and capital expenditure to the end of June 2024 ('the going concern period') as part of their comprehensive review. As of 31 December 2022, it was determined the Group was in technical breach of its cashflow cover loan covenant, which has resulted in the re-classification of the loan balance ($45.7m) to a current liability in line with IAS 1. Subsequently, HSBC has waived the cashflow cover and leverage covenants on 31 December 2022.

The Board considered a base case, a downside scenario, and a reverse stress test to assess the effect of potential disruption to the supply chain, reducing consumer confidence due to rising interest rates and high global inflation, cost increases and pressure on rising employee costs due to the cost-of-living increases facing many individuals. The scenarios are as follows:

Base Case

- The base case is the Board approved budget which has been updated with the Group's trading results for Q1 2023 and our estimate of trading to 30 April. The budget was prepared assuming a continuation of the current political situation in Ukraine together with inflationary pressures across the World. The Group had seen a downturn in consumer confidence, especially in Europe due to the above factors.
- The revenue reduction in Europe towards the end of 2022 was a temporary slowdown and the Group has seen a strong rebound in our early 2023 trading in Germany and the rest of Europe.
- The budget does not assume any acquisition expenditure.
- Our US and other markets remain resilient and are trading in line with expectations.
- The Group expects to be able to maintain its budgeted margin throughout 2023.
- The base case includes Capital Expenditure through 2023 and 2024 for the new third plant in Vietnam and initial construction costs of the first European factory in Portugal.
- In this base case scenario, no covenant breaches or liquidity challenges are expected.

Downside scenario

- The Group has known forward orders for circa two months through to the middle of June 2023, therefore our downside scenario updates the base case with a 5.6% reduction in revenue from June 2023. The Directors believe that a 5.6% reduction from the base case is appropriately conservative based on the current trading position, the improved business through Norville, expected falling global inflation and increasing consumer confidence. A 5% reduction in Employee expenses takes affect from September 2023, reflecting a reduction of the expected senior management bonuses together with a reduction in marketing, advertising, entertaining, office expenses and other discretionary expenditure that would not affect operational performance in the medium term.
- In this downside scenario, no covenant breaches or liquidity challenges are expected.

The Group has considered the reasonably plausible downside scenario. The Group mitigates the risk of a long-term drop in revenue by having a diverse business that trades globally so that it is not reliant on any one region.

Reverse stress test

- The reverse stress test updated our base case with a 24.2% drop in forecast revenue, whilst maintaining gross margin. The drop of 24.2% represents a significant reduction against actual trading in 2022 and is a reduction in revenue not previously experienced by the Group. This results in a breach in interest ratio covenant in March 2024 that is recovered in June 2024. No other covenants were forecast to be breached in this period. The reverse stress test assumes some controllable costs saving by a reduction in employee expenses, reduction in headcount, a reduction in discretionary administration costs and removal of discretionary CAPEX spending, including a delay of the new manufacturing facility in Vietnam and construction costs for a factory in Portugal, and some repayment of the Rolling Credit Facility to reduce interest charges through the year.

The Group has considered the reverse stress test, which models a breach in the interest ratio covenant in March 2024. In this case the Directors have available further levers within its control to save costs and generate income. The Group also has the ability to discuss amending or waiving covenants with the bank should an unprecedented drop in revenue occur. Current trading is ahead of budget and there has been no erosion of margin. As a result, the directors consider that the reverse stress test is a remote possibility.

The Group's borrowings with HSBC, amounting to $58.3m, contains three covenants; Leverage, Cashflow Cover and Interest Cover ratios. Compliance on these covenants is based on 12-month rolling periods for each Relevant Period. The facilities are due for renewal in October 2024 and discussions for renewal have already taken place. Formal work on the renewal is expected to take place in Q3 2023 with a view to extending the terms for a further 3 years from October 2024, it is not expected that any bullet payment will become due in October 2024 and the Directors are confident of a successful renewal to the facilities.

Prior to a technical breach of one of the covenants in December 2022 the Group was in discussion to amend the facilities agreement with HSBC. Following the breach in cashflow cover in December 2022 HSBC subsequently waived the cashflow cover and leverage covenants for the relevant period ending 31 December 2022. The covenant tests for 2023 have been amended by HSBC to increase the leverage cover for the March and June relevant periods; waive cashflow cover until the March 2024 relevant period; and decrease interest cover for the March and June relevant periods. There were no covenant breaches in any prior relevant period in 2022.

On this basis the Board has reasonable expectations that the Group and Company has adequate resources to continue as a Going Concern to 30 June 2024. Accordingly, the directors adopt the going concern basis in preparing the financial statements.

Post balance sheet events

The Board considers that no other material post balance sheet events occurred between the end of the period and the date of publication of this report.

Future developments

The Board intends to continue to pursue the business strategy as outlined in the Strategic Report on page 10.

Stakeholder involvement policies

The Directors believe that the involvement of employees, customers and suppliers is an important part of the business culture and contributes to the successes achieved to date (see our ESG Report on pages 24 to 31).

Equal opportunities

The Group is committed to eliminating discrimination and encouraging diversity. Its aim is that its people will be truly representative of all sections of society and that each person feels respected and is able to perform to the best of their ability. The Group aims for its people to reflect the business's diverse customer base.

The Group will not make assumptions about a person's ability to carry out their work, for example based on their ethnic origin, gender, sexual orientation, marital status, religion or other philosophical beliefs, age or disability. Likewise, it will not make general assumptions about capabilities, characteristics and interests of particular groups that may influence the treatment of individuals, the assessment of their abilities and their access to opportunities for training, development and promotion.

Ethical business practices

The Group has a zero tolerance to bribery and corruption and is committed to ensure that it has appropriate procedures in place to counter this risk. A formal policy is in place and continual training is undertaken. The anti-bribery and whistleblowing policy is reviewed annually by the Audit and Risk Committee.

SECR

Our Streamlined Energy and Carbon Reporting (SECR) framework can be found on pages 26 and 27.

Auditor reappointment

The auditor, EY LLP, has indicated its willingness to be reappointed and, in accordance with section 489 of the Companies Act 2006, a resolution for reappointment will be proposed at the AGM.

Annual General Meeting

The Annual General Meeting will be held on 15 June 2023. The ordinary business comprises receipt of the Directors' Report and audited financial statements for the year ended 31 December 2022, the re-election of Directors, the reappointment of EY as auditor and authorisation of the Directors to determine the auditor's remuneration.

Special resolutions are also proposed to authorise the Directors, to a limited extent consistent with pre-emption Group guidelines, to allot new shares, to disapply statutory pre-emptions rights and to make market purchases of the Group's shares. The Notice of Annual General Meeting sets out the ordinary and special resolutions to be put to the meeting.

Approval

This Directors' Report was approved on behalf of the Board on 03 May 2023.

Chris Kay
Chief Financial Officer

03 May 2023

O'Neill


O'Neill Team Rider – Corey Lopez

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with UK adopted Accounting Standards, and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework'), and applicable law. Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company, and of the profit or loss of the Group and the Parent Company for that period.

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

- Select suitable accounting policies and then apply them consistently
- State whether applicable UK adopted Accounting Standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Parent Company Financial Statements, subject to any material departures disclosed and explained in the financial statements
- 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 and the Parent Company will continue in business

The Directors are also responsible for safeguarding the assets of the Group and the Parent Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance of accounting records that are sufficient to show and explain the Group and the Parent Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Group and the Parent Company, and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmation

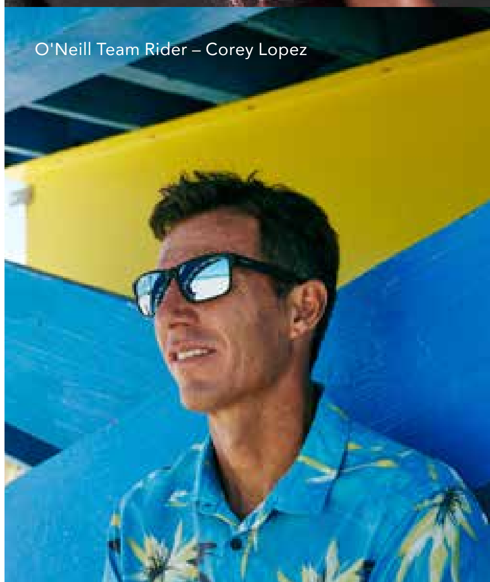
The Directors consider that the Annual Report and Accounts, taken as a whole are fair, balanced and understandable. They provide the information necessary for shareholders to assess the Group and Parent Company's position and performance, business model and strategy.

On behalf of the Board

Richard Peck
Chief Executive Officer
03 May 2023


Ted Baker


GX BY Lamb


O'Neill Team Rider – Corey Lopez


Humphrey's

Mini

Financial Statements

Valerie

Barbour

Marc O'Polo

INDEPENDENT AUDITOR'S REPORT

to the members of INSPECS Group plc

Opinion

In our opinion:

- INSPECS Group PLC's 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 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of INSPECS Group PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise:

Group	Parent Company
Consolidated income statement for the year ended 31 December 2022	Company balance sheet as at 31 December 2022
Consolidated statement of comprehensive income for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of financial position as at 31 December 2022	Related notes 1 to 14 to the financial statements including a summary of significant accounting policies Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	
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 the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We 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

Going concern has been determined to be a key audit matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Understanding the process undertaken by management to perform the going concern assessment covering the going concern period to 30 June 2024; including details of available facilities, forecast covenant calculations, the results of management's downside sensitivity and reverse stress testing analysis and their evaluation of the ongoing impact of COVID-19 and other macro-economic pressures including, but not limited to, inflationary increases related to the cost of living, the risk of reduced demands for products due to recession and the Group's access to available sources of liquidity;

- Confirming the availability of debt facilities and review of underlying terms, including covenants to 30 June 2024, and confirming the repayments due within this period are accurately included;
- Reading the covenant waiver confirmation letter received from the Bank in March 23 which confirmed that the covenant testing period at 31 December 2022 had been waived;
- Holding a discussion with the Bank to confirm the contents of their correspondence with the Group and consider any contra indicators to the assumptions and conclusions within management's going concern assessment;
- As the covenant waiver confirmation was not received until after the Balance Sheet date, we ensured the borrowing facilities with the Bank were appropriately classified within current liabilities;
- Assessing the reliability of the cashflow forecast by analysing management's historical forecasting accuracy. We understood key inputs underpinning the Group's forecasts which includes sales receipts and cash payment schedule, and challenged these using supporting evidence including debt agreements, existing facilities, and FY23 period performance to date;
- Evaluating management's key assumptions underpinning the Group's forecasts (such as revenue growth, gross margins and cost reductions as well as the impact of climate change), by comparing to externally produced market analyses, including information from competitors;
- Challenging, based on our own independent sensitivity testing and specialist input, whether the downside case prepared by management could lead to a covenant breach. Our assessment considered the impact and likelihood of:
  - Current macro-economic conditions on ability to meet revenue forecasts
  - Loss of major customers
  - Loss of significant brand licences
  - Increases in costs that are unable to be passed on to customers
- Challenging the controllable mitigating actions such as implementing reduced working weeks, pay reductions and reduced capital expenditure that management could take in the event of a decline in trading;
- Performing a 'reverse stress test' scenario that would lead to a covenant breach and challenging management's assessment as to whether the scenario is remote by considering current year trading performance, external market data and controllable mitigating actions;
- Considering events occurring immediately outside of the going concern period, including the maturity of the debt facilities in October 2024, and whether these could lead to the identification of a material uncertainty related to going concern;
- Testing the clerical accuracy of the model used to prepare the Group's going concern assessment to 30 June 2024, including the forecast covenant compliance; and
- Assessing the appropriateness of the going concern disclosure on pages 76 and 77.

Our key observations

- At 31 December 2022 the Group has committed facilities of $18.7m term loan and a Revolving Credit Facility of $37m to October 2024. The Group has utilised $36.4m of the Revolving Credit Facility at 31 December 2022. The Group also had a cash balance of $26.8m at 31 December 2022.
- Management consider the reverse stress test scenario whereby a decline in performance is severe enough to cause a liquidity issue and covenant breach to be remote.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for the period to 30 June 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of 5 components and audit procedures on specific balances for a further 1 component. • The components where we performed full or specific audit procedures accounted for 94% of loss before tax, 86% of Revenue and 91% of Total assets.
Key audit matters	• Inappropriate revenue recognition • Valuation of goodwill • Inventory valuation • Going concern
Materiality	• Overall Group materiality of $1,242,000 which represents 0.5% of revenue.

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company 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, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed at each company.

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 30 reporting components of the Group, we selected 6 components covering entities within the UK, Hong Kong (including sub-components based in China and Vietnam), Germany and the USA, which represent the principal business units within the Group.

Of the 6 components selected, we performed an audit of the complete financial information of 5 components ('full scope components') which were selected based on their size or risk characteristics. For the remaining component ('specific scope component'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

In addition, we conducted specified procedures over a number of account balances relating to 4 reporting units, representing 27% of the Group's loss before tax, 10% of the Group's revenue and 5% of the Group's total assets. For all these components we performed procedures related to revenue and cash and then performed other procedures determined upon size and risk.

Of the remaining 20 components that together represent 14% of the Group's revenue none are individually greater than 3% of the Revenue. For these components, we performed other procedures including: analytical reviews, 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 table below illustrates the coverage obtained from the work performed by our audit teams.

	2022				2021			
Reporting components	**Number**	**% of Group loss before tax (on absolute basis)[1]**	**% of Group Revenue**	**% of Group Assets**	Number	% of Group loss before tax (on absolute basis)[1]	% of Group Revenue	% of Group Assets
Full scope	5	66%	72%	84%	5	66%	74%	85%
Specific scope	1	2%	5%	2%	3	17%	13%	5%
Specified procedures	4	27%	10%	5%	2	1%	0%	6%
Full, specific, and specified procedures coverage	**10**	**94%**	**86%**	**91%**	**10**	**84%**	**90%**	**96%**
Remaining components	20	6%	14%	9%	23	16%	10%	4%
Total reporting components	**30**	**100%**	**100%**	**100%**	**33**	**100%**	**100%**	**100%**

1. Coverage of loss before tax measured on an absolute basis for each component (components with a profit would be added to both the numerator and denominator).

The audit scope of the specific scope components included in the table above may not have included testing all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Changes from the prior year

The approach to scoping is similar to the prior year audit. Our scoping changes from the prior year are due to change in either risk assigned to the component or contribution by the component. In particular, we challenged the procedures that we undertook on specific scope components and moved these to specified procedures where appropriate. This meant that we were able to direct our procedures to focus on the risks relevant to these components.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of INSPECS Group plc

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 5 full scope components, audit procedures were performed on 2 of these directly by the primary audit team. For the specific scope component, 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 primary team undertook the audit procedures on all of the specified procedures components.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits full scope overseas entities every second year on a planned rotation policy where this is possible. During the current year's audit cycle, visits were undertaken by the Senior Statutory Auditor to meet with component teams from the following locations: USA (Tura) and Hong Kong (Killine.) Other senior primary audit team members visited Germany (Eschenbach Optik). These visits 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 relevant audit working papers on risk areas. The primary team, including the Senior Statutory Auditor, interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant 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.

Climate change

Stakeholders are increasingly interested in how climate change will impact INSPECS Group plc. The Group has determined that the most significant future impacts from climate change on their operations will be from supply chain disruption and possible cost increases to improve product sustainability in response to changing customer preferences. These are explained on page 39 in the risk management section of the strategic report. They have also explained their climate commitments on pages 27 to 29. All of these disclosures form part of the 'Other information', rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially consistent with the financial statements, our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on 'Other information'.

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in note 13 their articulation of how climate change has been reflected in the financial statements. Significant judgements and estimates relating to climate change are included in note 3 and these relate to the impact of climate change on cashflow assessments used as part of the goodwill impairment assessment. These disclosures also explain where governmental and societal responses to climate change risks are still developing, and where the degree of certainty of these changes means that the Group continues to monitor the future economic impact on their business model as part of the goodwill impairment assessment. As set out on page 39 and note 13, the potential future impacts are currently determined to be low risk in the financial statements for the current year.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on page 39 and whether these have been appropriately reflected in judgements and estimates following the requirements of UK adopted international accounting standards. As part of this evaluation, we performed our own risk assessment, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of INSPECS Group plc

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of manual override through inappropriate manual journals to revenue or inappropriate calculation of right of return provision (2022 $248.6m, 2021 $246.5m) *Refer to Accounting policies (page 78); and Note 5 of the Consolidated Financial Statements (page 86)* Revenue performance is a focus for stakeholders who expect a year on year growth in revenues. Most of the Group's sales arrangements typically require little judgement to be exercised, with revenue being recognised on the delivery of goods. However, there is a risk that management may override controls to intentionally misstate revenue transactions by recording inappropriate manual topside journals to revenue. There are key judgements and estimates undertaken by management in calculating the right of return or rebate provisions. As such there is a heightened risk that management could manipulate these judgemental areas to understate the year end provisions and, in doing so, misstate revenue. The level of risk associated to this key audit matter is unchanged from the prior year.	In order to address this risk we Conducted targeted transaction testing to respond to the risk of fraud in particular focused on manual journal entries including top side adjustments posted to revenue using lower testing thresholds. Used a data driven approach to obtain appropriate assurance over the full revenue data set through correlation analysis over sales and cash receipts to test the existence and occurrence of revenue being recognised in the correct period. Used a detailed analytical review to compare year on year revenue balances to our expectations, management's forecasts and, where possible, publicly available information. Enquired of management as to the existence of rebate or return arrangements with key customers. Checked the arithmetical accuracy of rebate and return calculations by performing our own recalculation. Identified new agreements that have been agreed within the current financial period as well as new agreements entered into post year end to challenge accounting treatment applied. To ensure completeness, we compared current year agreements with those existing in prior year as well as reviewing any return transactions post year end. A sample of rebate and returns provisions was selected with inputs to these calculations validated through challenge of the assumptions and estimations made which included preparing our own point estimate. Agreed calculations to customer contracts or agreements where available or payments subsequent to year-end. We performed full and specific scope audit procedures over this risk area in 6 locations, which covered 72% of the risk amount. We also performed specified procedures in 3 locations, which covered 10% of the risk amount. Procedures to respond to this risk were performed by both the primary audit team and component teams.	Our audit procedures did not identify evidence of material misstatements related to revenue recognition and we found no evidence of management bias. The procedures we performed did not identify any material unsupported manual adjustments to revenue or any unexplained anomalies from our revenue analytics. We concluded that the right of return and rebates provisions are appropriately stated at year-end.
Impairment of goodwill (2022 $67.2m, 2021 $75.9m) *Refer to the Audit and Risk Committee Report (page 51); Accounting policies (page 77); and Note 13 of the Consolidated Financial Statements (pages 93 and 94)* There is a risk that, as a result of challenging macro-economic conditions, Cash Generating Units ('CGUs') may not achieve the cash flow to support the carrying value of goodwill leading to an impairment charge. There is a significant amount of goodwill relating to legacy acquisitions of $67m included in the balance sheet. Management are required to carry out an impairment review of goodwill under IFRS which will involve judgement and estimates regarding the future results of the business, likely growth rates and discount rates used.	In order to address this risk we: Understood the methodology applied by management in identifying CGUs and assessed this against the requirements of IAS 36 impairment of assets. Validated that the cash flow forecasts used in the valuation were consistent with information approved by the Board and reviewed the historical accuracy of management's forecasts. Evaluated the implied growth rates beyond FY22 by considering evidence available to support these assumptions, their consistency with findings from other areas of our audit and by performing sensitivity analyses. Involved EY valuation specialists to independently construct our own expectation of the discount rates for a market participant from first principles. Challenged the long-term growth rates applied within the models including comparison to economic and industry forecasts.	Our year end audit procedures did not identify evidence of material misstatement regarding the carrying value of goodwill in the Group. Management has disclosed the sensitivities related to reasonable possible change in key assumptions in note 13 in accordance with the requirements of IAS 36.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of INSPECS Group plc

Risk	Our response to the risk	Key observations communicated to the Audit Committee
A relatively small change in these key assumptions could give rise to a material change in the estimated recoverable amount of goodwill. The level of risk associated to this key audit matter is unchanged from the prior year.	Performed sensitivity analyses at a CGU level by stress testing key assumptions in the model to consider the degree to which these assumptions would need to change before an impairment charge is triggered. Analysed available information to identify any contrary evidence, including consideration of competitor performance. Assessed the disclosures in the financial statements against the requirements of IAS 36, in particular in respect of the requirements to disclose further sensitivities for CGUs where a reasonably possible change in key assumptions would cause impairment.	
	The primary audit team performed all audit procedures over this risk area which covered 100% of the value of goodwill.	
Inventory valuation (2022 $58.3m, 2021 $55.7m) *Refer to the Audit and Risk Committee Report (page 52); Accounting policies (page 80); and Note 17 of the Consolidated Financial Statements (page 97)* The valuation of inventory across the Group is dependent on establishing appropriate valuation processes. The assessment of how much excess and obsolete inventory exists at year end requires judgement to be applied in determining the inventory valuation and level of provisioning required. If these judgements are not appropriate then there is a risk that inventory is incorrectly valued.	In order to respond to this risk we: Obtained aged inventory listings and assessed whether older inventory has been appropriately provided for. Obtained management's inventory provision calculations and understood the methodology applied in calculating the provision and tested inputs into the calculation and clerical accuracy. Challenged management's approach on inventory obsolescence and compared key assumptions against historical and post year-end sales data, industry forecasts, customer orders and expected consumer demand.	After considering adjustments made to the financial statements as a result of our audit procedures, we did not identify evidence of further misstatements related to inventory valuation as a result of inappropriate inventory provisioning policies. Our targeted procedures at the two components where issues related to inventory existence had been found in the prior year did not identify any audit differences in the current year.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Existence of inventory at two components has also been identified as an area of heightened risk due to control failures in the prior year resulting in errors in inventory balances at both of these locations. This is a new key audit matter in the current year.	Performed physical inventory stocktakes at in-scope locations at or near to the year-end date. Special considerations were made for 2 components with lower testing thresholds applied due to prior year issues identified. Using a lower testing threshold, we tested reconciling items on the year-end inventory sub-ledger reconciliations at the two components where control issues were identified in the prior year.	
	We performed full and specific scope audit procedures over this risk area in 6 locations, which covered 90% of the risk amount. We also performed specified procedures in 3 locations, which covered 8% of the risk amount. Procedures to respond to this risk were performed by both the primary and component audit teams.	

As a result of the control failures in the prior year related to inventory and the effort required to audit the inventory provisions, we have identified a new key audit matter related to inventory valuation.

In the prior year, our auditor's report included key audit matters in relation to acquisition accounting and uncertain tax positions. In the current year, no acquisitions took place and the release of the transfer pricing provision in the prior year meant that the value and associated judgement related to uncertain tax positions was not considered to be a key audit matter in the current year.

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 $1,242 thousand (2021: $824 thousand), which is 0.5% of revenue (2021: 3% of adjusted EBITDA.) We believe that revenue is the metric which is used most prevalently by Group management in their internal and external reporting. Therefore, given this focus, we consider this is the most appropriate basis to use for calculating materiality. This is a change from the prior year basis of using an adjusted EBIDTA measure as the basis for calculating materiality. We consider revenue to be more appropriate given the prominence of this measure in reporting during a period of ongoing integration of previously acquired businesses into the Group and volatility in earnings due to macro-economic factors. Additionally, the use of an adjusted measure meant there was judgement in determining which items should be adjusted and this judgement has now been removed.

We determined materiality for the Parent Company to be $709 thousand (2021: $963 thousand), which is 0.5% (2021: 0.5%) of total assets.

During the course of our audit, we reassessed our planning materiality and noted no need to change to the basis that materiality was initially based on. We updated our planning materiality to reflect actual results being different to the forecast used to calculate planning materiality and performed our testing at this level.

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% (2021: 50%) of our planning materiality, namely $621 thousand (2021: $411 thousand). We have set performance materiality at this percentage due to the high level of corrected and uncorrected misstatements identified in the prior financial period.

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 $61 thousand to $359 thousand (2021: $44 thousand to $300 thousand).

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 $62 thousand (2021: $41 thousand), 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 set out on pages 1 to 62, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information within the annual report.

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of INSPECS Group plc

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 62, 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (UK adopted international accounting standards, United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006 and the UK Corporate Governance Code) and the relevant tax laws and regulations in the jurisdictions in which the Group operates. We understood how INSPECS Group plc is complying with those frameworks by making enquiries of management, the Directors, and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of board minutes, papers provided to the Audit Committee and attendance at meetings of the Audit Committee as well as consideration of the results of our audit procedures across the Group.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of INSPECS Group plc

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of investors. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of Group management, and those charged with governance, and legal counsel, as well as journal entry testing, with a focus on manual consolidation journals and journals indicating significant or unusual transactions based on our understanding of the business. Through our testing we challenged the assumptions and judgements made by management in respect of significant one-off transactions in the financial year and significant accounting estimates as referred to in the key audit matters section above. At a component level, our full and specific scope component audit team's procedures included enquiries of component management; journal entry testing; and focused testing, including in respect of the key audit matter of revenue recognition. We also leveraged our data analytics platform in performing our work on the order to cash and purchase to pay processes to assist in identifying higher risk transactions for testing.
- Where we identified potential non-compliance with laws and regulations, we developed an appropriate audit response and communicated directly with components impacted. Our procedures involved: understanding the process and controls to identify non-compliance, inquiring of key stakeholders, understanding the fact patterns in each case, reading the output from management's own investigation and using specialists including our forensics team to support us in concluding on the matters identified as applicable.

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.

Helen McLeod-Jones (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

Ernst & Young LLP

03 May 2023

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2022

	Notes	2022 $'000	2021 $'000
Revenue	5	**248,577**	246,471
Cost of sales	7, 10	**(126,291)**	(130,699)
Gross profit		**122,286**	115,772
Distribution costs		**(7,783)**	(7,795)
Administrative expenses	7, 10	**(115,970)**	(106,436)
Operating (loss)/profit		**(1,467)**	1,541
Non-underlying costs	8	**(1,814)**	(2,588)
Exchange adjustment on borrowings	33	**(2,528)**	(5,418)
Finance costs	9	**(3,829)**	(2,775)
Finance income	9	**134**	118
Share of profit/(loss) of associate	16	**23**	(10)
Loss before income tax		**(9,481)**	(9,132)
Income tax credit	11	**1,665**	3,697
Loss for the year		**(7,816)**	(5,435)
Attributable to: Equity holders of the Parent		**(7,816)**	(5,435)
Earnings per share			
Basic loss for the year attributable to the equity holders of the Parent	12	**$(0.08)**	$(0.05)
Diluted loss for the year attributable to the equity holders of the Parent	12	**$(0.08)**	$(0.05)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022

	2022 $'000	2021 Restated $'000
Loss for the year	**(7,816)**	(5,435)
Other comprehensive (loss)/income		
Exchange differences on translation of foreign operations	**(7,459)**	2,891
Other comprehensive (loss)/income for the year, net of income tax	**(7,459)**	2,891
Total comprehensive loss for the year	**(15,275)**	(2,544)
Attributable to: Equity holders of the Parent	**(15,275)**	(2,544)

The notes on pages 76 to 113 form part of these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

	Notes	2022 $'000	2021 Restated $'000
ASSETS			
Non-current assets			
Goodwill	13	**67,234**	75,945
Intangible assets	14	**43,756**	54,454
Property, plant and equipment	15	**21,078**	24,569
Right-of-use assets	25	**23,810**	22,269
Investment in associates	16	**135**	48
Deferred tax assets	29	**8,476**	12,540
		164,489	189,825
Current assets			
Inventories	17	**58,257**	55,664
Trade and other receivables	18	**37,676**	42,229
Tax receivables		**4,453**	3,468
Cash and cash equivalents	19	**26,799**	29,759
		127,185	131,120
Assets held for sale	20	**1,006**	–
Total assets		**292,680**	320,945
EQUITY			
Shareholders' equity			
Called up share capital	21	**1,389**	1,389
Share premium	22	**122,291**	122,291
Foreign currency translation reserve	22	**(4,657)**	2,802
Share option reserve	22	**3,548**	2,001
Merger reserve	22	**7,296**	7,296
Retained earnings	22	**223**	9,429
Total equity		**130,090**	145,208

	Notes	2022 $'000	2021 Restated $'000
LIABILITIES			
Non-current liabilities			
Financial liabilities – borrowings			
Interest-bearing loans and borrowings	24	**20,018**	69,194
Deferred consideration	28	**1,634**	3,107
Deferred tax liabilities	29	**11,553**	20,517
		33,205	92,818
Current liabilities			
Trade and other payables	23	**47,363**	53,317
Right of return liabilities	5	**12,838**	11,100
Financial liabilities – borrowings			
Interest-bearing loans and borrowings	24	**62,600**	13,289
Invoice discounting	24	**1,803**	2,433
Deferred consideration	28	**3,046**	–
Tax payable	30	**1,735**	2,780
		129,385	82,919
Total liabilities		**162,590**	175,737
Total equity and liabilities		**292,680**	320,945

The notes on pages 76 to 113 form part of these Financial Statements. Registered Company number: 11963910.

The Financial Statements were approved by the Board of Directors on 03 May 2023 and were signed on its behalf by:

R Peck
Director

C Kay
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Notes	Called up share capital $'000	Share premium $'000	Foreign currency translation reserve $'000	Share option reserve $'000	Retained earnings $'000	Merger reserve $'000	Total equity $'000
Balance at 1 January 2021		1,384	121,940	(89)	867	14,429	7,296	145,827
Changes in equity								
Loss for the year		–	–	–	–	(5,435)	–	(5,435)
Other comprehensive income (restated)	22	–	–	2,891	–	–	–	2,891
Total comprehensive loss (restated)		–	–	2,891	–	(5,435)	–	(2,544)
Exercise of share options	21, 22	5	351	–	(350)	435	–	441
Share-based payments	22	–	–	–	1,484	–	–	1,484
Balance at 31 December 2021 (Restated)		1,389	122,291	2,802	2,001	9,429	7,296	145,208
Changes in equity								
Loss for the year		**–**	**–**	**–**	**–**	**(7,816)**	**–**	**(7,816)**
Other comprehensive loss	22	**–**	**–**	**(7,459)**	**–**	**–**	**–**	**(7,459)**
Total comprehensive loss		**–**	**–**	**(7,459)**	**–**	**(7,816)**	**–**	**(15,275)**
Share-based payments	22	**–**	**–**	**–**	**1,729**	**–**	**–**	**1,729**
Share options cancelled	22	**–**	**–**	**–**	**(182)**	**182**	**–**	**–**
Cash dividends	22	**–**	**–**	**–**	**–**	**(1,572)**	**–**	**(1,572)**
Balance at 31 December 2022		**1,389**	**122,291**	**(4,657)**	**3,548**	**223**	**7,296**	**130,090**

The notes on pages 76 to 113 form part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities	27	**12,358**	24,895
Interest paid		**(3,652)**	(1,968)
Tax paid		**(3,629)**	(2,910)
Net cash from operating activities		**5,077**	20,017
Cash flows from investing activities			
Purchase of intangible fixed assets	14	**(1,042)**	(1,508)
Purchase of property, plant and equipment	15	**(3,193)**	(6,137)
Acquisition of subsidiaries, net of cash acquired		**–**	(8,134)
Purchase of shareholding in associate	16	**(88)**	–
Interest received	9	**134**	118
Net cash used in investing activities		**(4,189)**	(15,661)
Cash flow from financing activities			
Proceeds from the exercise of share options	22	**–**	355
New bank loans in the year	26	**12,783**	26,751
Bank loan principal repayments in year	26	**(10,381)**	(22,873)
Transaction costs on debt refinancing		**(99)**	(782)
Movement in invoice discounting facility	26	**(384)**	2,477
Dividends paid to equity holders of the Parent	22	**(1,572)**	–
Principal payments on leases	26	**(4,745)**	(4,224)
Net cash (used in)/from financing activities		**(4,398)**	1,704
(Decrease)/increase in cash and cash equivalents		**(3,510)**	6,060
Cash and cash equivalents at beginning of the year		**29,759**	23,776
Effect of foreign exchange rate changes		**550**	(77)
Cash and cash equivalents at end the of year	19	**26,799**	29,759

The notes on pages 76 to 113 form part of these Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. General information

INSPECS Group plc is a public company limited by shares and is incorporated in England and Wales (company number 11963910). 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 Group in the year was that of design, production, sale, marketing and distribution of high fashion eyewear, lenses and OEM products worldwide. The principal activity of the Company was that of a parent company providing services that support the Group. From the start of the period the Company has incurred costs to support the Group which have been re-charged to subsidiary entities where appropriate.

2. Accounting policies

Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with UK adopted international accounting standards, and those parts of the Companies Act 2006 applicable to companies reporting under UK adopted International Financial Reporting Standards ('IFRS').

The Consolidated Financial Statements have been prepared on a historical cost basis, except where fair value measurement is required under IFRS as described below in the accounting policies.

The presentational currency for the Consolidated and Parent Company Financial Statements is the United States Dollar (USD) rounded to the nearest thousand. The functional currency of both the Group and Parent Company is Pound Sterling (GBP), however a presentational currency of USD is used to be consistent with many other entities within the industry. The Consolidated Financial Statements provide comparative information in respect of the year ended 31 December 2021. For periods commencing from 1 January 2023, the reporting currency of the Consolidated and Parent Company Financial Statements will change to GBP. Comparative information is therefore included within Appendix 1 in GBP.

Going concern

The financial statements have been prepared on the going concern basis as the Directors have assessed that there is a reasonable expectation that the Group will be able to continue in operation and meet its commitments as they fall due over the going concern period to 30 June 2024.

The Board considered a base case, a downside scenario, and a reverse stress test to assess the effect of potential disruption to the supply chain, reducing consumer confidence due to rising interest rates and high global inflation, cost increases and pressure on rising employee costs due to the cost-of-living increases facing many individuals. The scenarios are as follows:

Base Case

- The base case is the Board approved budget which has been updated with the Group's trading results for Q1 2023 and our estimate of trading to 30 April. The budget was prepared assuming a continuation of the current political situation in Ukraine together with inflationary pressures across the World. The Group had seen a downturn in consumer confidence, especially in Europe due to the above factors.
- The revenue reduction in Europe towards the end of 2022 was a temporary slowdown and the Group has seen a strong rebound in our early 2023 trading in Germany and the rest of Europe.
- The budget does not assume any acquisition expenditure.
- Our US and other markets remain resilient and are trading in line with expectations.
- The Group expects to be able to maintain its budgeted margin throughout 2023.
- The base case includes Capital Expenditure through 2023 and 2024 for the new third plant in Vietnam and initial construction costs of the first European factory in Portugal.
- In this base case scenario, no covenant breaches or liquidity challenges are expected.

Downside scenario

- The Group has known forward orders for circa two months through to the middle of June 2023, therefore our downside scenario updates the base case with a 5.6% reduction in revenue from June 2023. The Directors believe that a 5.6% reduction from the base case is appropriately conservative based on the current trading position, the improved business through Norville, expected falling global inflation and increasing consumer confidence. A 5% reduction in Employee expenses takes affect from September 2023, reflecting a reduction of the expected senior management bonuses together with a reduction in marketing, advertising, entertaining, office expenses and other discretionary expenditure that would not affect operational performance in the medium term.
- In this downside scenario, no covenant breaches or liquidity challenges are expected.

The Group has considered the reasonably plausible downside scenario. The Group mitigates the risk of a long-term drop in revenue by having a diverse business that trades globally so that it is not reliant on any one region.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

2. Accounting policies continued

Reverse stress test

- The reverse stress test updated our base case with a 24.2% drop in forecast revenue, whilst maintaining gross margin. The drop of 24.2% represents a significant reduction against actual trading in 2022 and is a reduction in revenue not previously experienced by the Group. This results in a breach in interest ratio covenant in March 2024 that is recovered in June 2024. No other covenants were forecast to be breached in this period. The reverse stress test assumes some controllable costs saving by a reduction in employee expenses, reduction in headcount, a reduction in discretionary administration costs and removal of discretionary CAPEX spending, including a delay of the new manufacturing facility in Vietnam and construction costs for a factory in Portugal, and some repayment of the Rolling Credit Facility to reduce interest charges through the year.

The Group has considered the reverse stress test, which models a breach in the interest ratio covenant in March 2024. In this case the Directors have available further levers within its control to save costs and generate income. The Group also has the ability to discuss amending or waiving covenants with the bank should an unprecedented drop in revenue occur. Current trading is ahead of budget and there has been no erosion of margin. As a result, the directors consider that the reverse stress test is a remote possibility.

The Group's borrowings with HSBC, amounting to $58.3m, contains three covenants; Leverage, Cashflow Cover and Interest Cover ratios. Compliance on these covenants is based on 12-month rolling periods for each Relevant Period. The facilities are due for renewal in October 2024 and discussions for renewal have already taken place. Formal work on the renewal is expected to take place in Q3 2023 with a view to extending the terms for a further 3 years from October 2024, it is not expected that any bullet payment will become due in October 2024 and the Directors are confident of a successful renewal to the facilities.

Prior to a technical breach of one of the covenants in December 2022 the Group was in discussion to amend the facilities agreement with HSBC. Following the breach in cashflow cover in December 2022 HSBC subsequently waived the cashflow cover and leverage covenants for the relevant period ending 31 December 2022. The covenant tests for 2023 have been amended by HSBC to increase the leverage cover for the March and June relevant periods; waive cashflow cover until the March 2024 relevant period; and decrease interest cover for the March and June relevant periods. There were no covenant breaches in any prior relevant period in 2022.

On this basis, and as outlined in the Director's report, the Board has reasonable expectations that the Group and Company has adequate resources to continue as a Going Concern to 30 June 2024.

Basis of consolidation

The consolidated financial information incorporates the Financial Statements of the Group and all of its subsidiary undertakings. A subsidiary is defined as an entity over which the Group has control. Control exists when the Company has power over the investee, the company is exposed, or has rights to variable returns from its involvement with the subsidiary and the company has the ability to use its power of the investee to affect the amount of investor's returns. The Financial Statements of all Group companies are adjusted, where necessary, to ensure the use of consistent accounting policies. Acquisitions are accounted for under the acquisition method from the date control passes to the Group. On acquisition, the assets and liabilities of a subsidiary are measured at their fair values. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recorded as goodwill.

Business combinations 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 and classified as non-underlying costs.

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.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred 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 reassesses 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. Goodwill is tested annually for impairment. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

2. Accounting policies continued

Investment in associates

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.

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 the sales of goods is recognised at the point in time when control of the asset is transferred to the customer, in line with agreed incoterms. 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. Revenue in relation to royalty income is recognised over the period to which the royalty term relates. Revenue in relation to design income is recognised as the work is performed.

Rights of return

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 recognised a liability where it has historically accepted a right to return with the combination of a credit being applied against amounts owed or where another product is offered in exchange. 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, to the extent that these goods are not considered impaired.

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.

2. Accounting policies continued

Intangible assets with finite lives are amortised over their useful economic life and are 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	Over the period of the patent or license
Computer software	3 years
Trademarks	5–10 years
Customer relationships	8–20 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.

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

Freehold property	33 years
Leasehold improvements	over the lease term
Fixtures and fittings	5 years
Computer equipment	3–5 years
Plant and machinery	3–7 years

Construction in progress is not depreciated.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

2. Accounting policies continued

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:

Leasehold property	2–5 years
Plant and machinery	3 years
Motor vehicles	3 years

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. They also include any amounts expected to be paid under residual value guarantees.

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 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 are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses 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.

Royalties

Royalties payable reflect balances owed to brand owners for the right to use the brand name. The royalty is payable based on a pre-agreed percentage of sales volumes, with some arrangements also having minimum royalty payments for specific periods. Royalties payable are recognised on delivery of the products covered by such arrangements, with an additional accrual made where it is considered that the sales level required to meet the minimum payment will not be met.

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 and subsequently measured at amortised cost.

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 include trade receivables, other receivables and loans to Group undertakings.

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

2. Accounting policies continued

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.

Financial liabilities

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.

Subsequent measurement

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

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

As at 31 December 2022 and 31 December 2021, the Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

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.

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.

Refinancing

Where a loan arrangement is replaced with a subsequent facility which is materially different in relation to repayment structure or interest rate, any capitalised loan arrangement fees in respect of the previous loan are expensed, with transaction costs relating to the new loan capitalised and held against the value of the related liability.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

2. Accounting policies continued

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, that 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 deliver 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.

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. If 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, to the extent that they are dilutive.

Dividend

Final dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

Deferred and contingent consideration in relation to acquisitions

Deferred consideration to the previous owners arising on acquisitions are treated as part of the consideration for the acquisition, with the liability recognised on the statement of financial position at the date of the acquisition. Where the consideration is contingent on continuing employment within the Group, the charge is recognised through the Income Statement over the period to which it relates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

2. Accounting policies continued

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 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 USD, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

2. Accounting policies continued

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 currency of INSPECS Group plc is GBP. The functional currencies of certain overseas subsidiaries are currencies other than the GBP. At the end of the reporting period, the assets and liabilities of these entities are translated into GBP at the exchange rates prevailing at the end of the reporting period and their income statements are translated into GBP 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. On translation to USD for presentation, the assets and liabilities of the consolidated entity are translated into USD at the exchange rates prevailing at the end of the reporting period, equity balances are translated at historic exchange rates and the income statement is translated into USD at the average exchange rates for the year.

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 the period end.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated at the average exchange rates for the year.

Pensions and other post-employment benefits

The Group operates defined contribution pension schemes, where the amounts charged to the statement of comprehensive income are 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.

Provisions

A provision is required when a present obligation (legal or constructive) has arisen as a result of a past event and it is probably 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.

Non-underlying costs

Non-underlying costs are those that in the Directors' view should be separately disclosed due to their nature to enable a full understanding of the Group's financial performance. These include income and expenditure that is considered outside of the usual course of business and therefore is separately identified to allow the users of the Financial Statements comparability versus prior periods. The main categories of costs disclosed as non-underlying are acquisition costs, restructuring costs and other professional service costs relating to the accounting integration of acquisitions.

Prior year adjustments

Material prior period errors are corrected retrospectively in the first set of Financial Statements authorised for issue after their discovery by restating the comparative amounts for the prior periods presented. A reconciliation between the corrected figures and those reported for key statements is provided in note 35. During the year, a prior year error has been identified in relation to the treatment of contingent consideration.

New and amended standards and interpretations

The following standards have been published and are mandatory for accounting periods beginning after 1 January 2022:

- Amendments to IFRS 3: Business Combinations – Reference to the Conceptual Framework – effective 1 January 2022
- Amendments to IAS 16: Property, Plant and Equipment – effective 1 January 2022
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets – effective 1 January 2022
- Annual Improvements to IFRS Standards 2018-2020 Cycle – 1 January 2022

None of the above standards have given rise to a significant change in the reported results or financial position of the Group or Company.

The following standards have been published and are mandatory for accounting periods beginning after 1 January 2023.

- New Standard IFRS 17: Insurance Contracts
- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to IAS 12: Income Taxes

None of the new standards not yet in issue are expected, once adopted, to give rise to a significant change in the reported results or financial position of the Group or Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

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.

Estimates involve the determination of the quantum of accounting balances to be recognised. Judgements typically involve decisions such as whether to recognise an asset or liability.

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 Group has considered the impact of climate risk on these cash flow assessments as detailed in note 13, however this is considered to be a prudent view, with mitigations such as price structuring detailed on page 39. The carrying amount of goodwill at 31 December 2022 was $67,234,000 (2021 restated: $75,945,000). No provision for impairment of goodwill was made as at the end of the reporting period. See note 13 for further details.

Right of return liability

Management applies assumptions in determining the right of return liability and the associated right of return asset. These assumptions are based on analysis of historical data trends, but require estimation of appropriate time periods and expected return rates. The right of return liability at the period end is $12,838,000 (2021: $11,100,000) with an offsetting right of return asset (held within inventory) of $1,931,000 (2021: $1,581,000). If the provision were to increase by 5%, this would lead to an additional charge to the profit and loss of $545,000, with it being considered that a movement in the right of return liability will have an offsetting impact on the right of return asset.

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 that 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. The provision held in relation to uncertain tax liabilities as at 31 December 2022 is $706,000 (2021: $623,000). Further details are given in note 30.

Judgements made by management which are considered to have a material impact on the Financial Statements are as follows:

Recognition of intangible assets

In recognising the intangible assets arising on acquisition of subsidiary entities, the intangible assets must first be identified. This requires management judgement as to the value drivers of the acquired business and its interaction with the marketplace and stakeholders. In calculating the fair value of the identified assets, management must use judgement to identify an appropriate calculation technique and use estimates in deriving appropriate forecasts and discount rates as required. Management has used external experts to mitigate the risk of these judgements and estimates on the intangible assets identified and valued.

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. See note 29 for further details.

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for the year ended 31 December 2022

4. Non statutory measures

When reviewing profitability, the Directors use adjusted profit metrics in order to give meaningful year on year comparison. These adjusted profit metrics are:

- EBITDA
- Adjusted Underlying EBITDA
- Adjusted Profit Before Tax
- Underlying operating expenses
- Revenue on a constant exchange rate basis

Whilst we recognise that the measures used are alternative (non-Generally Accepted Accounting Principles) performance measures which are not defined within IFRS, these measures are important and should be considered alongside the IFRS measures. A reconciliation to these non-GAAP performance measures is shown below:

	2022 $'000	2021 $'000
Operating (loss)/profit	**(1,467)**	1,541
Add back: Amortisation and impairment on intangible assets	**8,526**	11,020
Add back: Depreciation	**8,342**	7,430
EBITDA	**15,401**	19,991
Add back: Share-based payment expense	**1,729**	1,484
Add back: Earnout on acquisition	**1,909**	–
Underlying EBITDA	**19,039**	21,475
Add back: Purchase Price Allocation ('PPA') release on inventory through cost of sales	**164**	5,991
Add back: Underlying EBITDA (loss) for acquisitions in the period	**–**	90
Adjusted Underlying EBITDA	**19,203**	27,556
Less: Depreciation	**(8,342)**	(7,430)
Less: Interest (excluding amortisation of loan arrangement fees)	**(2,722)**	(2,268)
Adjusted Profit Before Tax	**8,139**	17,858
Less: Amortisation of loan arrangement fees	**(973)**	(389)
Less: Amortisation and impairment on intangible assets	**(8,526)**	(11,020)
Less: Share-based payment expense	**(1,729)**	(1,484)
Less: Earnout on acquisition	**(1,909)**	–
Less: Purchase Price Allocation ('PPA') release on inventory through cost of sales	**(164)**	(5,991)
Less: Underlying EBITDA (loss) for acquisitions in the period	**–**	(90)
Less: Non-underlying costs	**(1,814)**	(2,588)
Less: Exchange adjustment on borrowings	**(2,528)**	(5,418)
Less: Share of profit/(loss) of associate	**23**	(10)
Loss before income tax	**(9,481)**	(9,132)

Adjusted Profit Before Tax is used to calculate Adjusted PBT basic and diluted EPS as per note 12. In the prior period, Underlying EBITDA was used to determine Adjusted Underlying EBITDA EPS, however it is considered that Adjusted PBT EPS provides a more appropriate metric of performance to the users of the Annual Report.

Underlying operating expenses, as referenced on page 17, is calculated as the difference between gross profit and Adjusted Underlying EBITDA.

In addition, the Directors consider the revenue of the Group on a constant exchange rate basis, which is calculated using the average exchange rates in effect for the corresponding comparative period.

4. Non statutory measures continued

Due to the technical breach of a bank covenant discussed in note 24, the adjusted net current assets position has been calculated to allow comparison year on year as follows:

	2022 $m	2021 $m
Current assets	**127.2**	131.1
Current liabilities	**(129.4)**	(82.9)
Loan in technical breach	**(45.7)**	–
Adjusted current liabilities	**(83.7)**	(82.9)
Adjusted net current assets	**43.5**	48.2

5. 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:

	2022 $'000	2021 $'000
United Kingdom	**26,271**	30,248
Europe (excluding UK)	**115,241**	121,930
North America	**86,189**	82,114
South America	**1,391**	517
Asia	**7,983**	3,281
Africa	**546**	3,034
Australia	**10,956**	5,347
	248,577	246,471

For the years ended 31 December 2022 and 31 December 2021 the Group had no individual customer which accounted for more than 10% of the Group's revenue.

b) Right of return assets and liabilities

	2022 $'000	2021 $'000
Right of return asset	**1,931**	1,581
Right of return liability	**(12,838)**	(11,100)

The right of return asset is presented as a component of inventory (note 17) and the right of return liability is presented separately on the face of the balance sheet.

6. Segment information

The Group operates in three operating segments, which upon application of the aggregation criteria set out in IFRS 8 Operating Segments results in three reporting segments:

- Frames and Optics product distribution
- Wholesale – being OEM and manufacturing distribution
- Lenses – being manufacturing and distribution of lenses

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 to assess their performance.

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 2022 and are as follows:

	Frames and Optics $'000	Wholesale $'000	Lenses $'000	Total before adjustments & eliminations $'000	Adjustments & eliminations $'000	Total $'000
Revenue						
External	214,661	29,572	4,344	248,577	–	248,577
Internal	6,408	5,047	218	11,673	(11,673)	–
	221,069	34,619	4,562	260,250	(11,673)	248,577
Cost of sales	(113,851)	(18,911)	(3,500)	(136,262)	9,971	(126,291)
Gross profit	107,218	15,708	1,062	123,988	(1,702)	122,286
Expenses	(91,564)	(6,228)	(5,245)	(103,037)	(3,848)	(106,885)
Depreciation	(6,530)	(992)	(808)	(8,330)	(12)	(8,342)
Amortisation	(7,411)	(1,091)	(24)	(8,526)	–	(8,526)
Operating profit/(loss)	1,713	7,397	(5,015)	4,095	(5,562)	(1,467)
Exchange adjustment on borrowings						(2,528)
Non-underlying costs						(1,814)
Finance costs						(3,829)
Finance income						134
Share of profit of associate						23
Taxation						1,665
Loss for the year						(7,816)

	Frames and Optics $'000	Wholesale $'000	Lenses $'000	Total before adjustments & eliminations $'000	Adjustments & eliminations $'000	Total $'000
Total assets	396,297	84,919	12,665	493,881	(209,677)	284,204
Total liabilities	(217,238)	(15,149)	(15,589)	(247,976)	183,095	(64,881)
Deferred tax asset						8,476
Current tax liability						(1,735)
Deferred tax liability						(11,553)
Borrowings						(84,421)
Group net assets						130,090
Other disclosures						
Capital additions	2,765	547	923	4,235	–	4,235

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 2021 and are as follows:

	Frames and Optics $'000	Wholesale $'000	Lenses $'000	Total before adjustments & eliminations $'000	Adjustments & eliminations $'000	Total $'000
Revenue						
External	211,527	27,437	7,507	246,471	–	246,471
Internal	3,438	4,664	90	8,192	(8,192)	–
	214,965	32,101	7,597	254,663	(8,192)	246,471
Cost of sales	(115,964)	(16,922)	(4,977)	(137,863)	7,164	(130,699)
Gross profit	99,001	15,179	2,620	116,800	(1,028)	115,772
Expenses	(84,672)	(6,857)	(4,797)	(96,326)	545	(95,781)
Depreciation	(5,669)	(1,209)	(552)	(7,430)	–	(7,430)
Amortisation and impairment	(6,386)	(4,632)	(2)	(11,020)	–	(11,020)
Operating (loss)/profit	2,274	2,481	(2,731)	2,024	(483)	1,541
Exchange adjustment on borrowings						(5,418)
Non-underlying costs						(2,588)
Finance costs						(2,775)
Finance income						118
Share of loss of associate						(10)
Taxation						3,697
Loss for the year						(5,435)

	Frames and Optics $'000	Wholesale $'000	Lenses $'000	Total before adjustments & eliminations $'000	Adjustments & eliminations $'000	Total $'000
Total assets	426,449	75,568	13,986	516,003	(207,598)	308,405
Total liabilities	(321,905)	(7,444)	(10,813)	(340,162)	270,205	(69,957)
Deferred tax asset						12,540
Current tax liability						(2,780)
Deferred tax liability						(20,517)
Borrowings						(82,483)
Group net assets						145,208
Other disclosures						
Capital additions	2,471	1,300	3,874	7,645	–	7,645

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.

Non-underlying costs, as well as net finance costs and taxation are not allocated to individual segments as they relate to Group-wide activities as opposed to individual reporting segments.

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.

6. Segment information continued

Non-current operating assets

	2022 $'000	2021 $'000
United Kingdom	**9,820**	9,795
Europe	**110,339**	129,441
North America	**4,863**	4,589
Asia	**30,856**	36,580
	155,878	180,405

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

7. Employees and Directors

	2022 $'000	2021 $'000
Wages and salaries	**56,436**	57,714
Social security costs	**9,624**	10,002
Pension costs	**713**	566
Share-based payment expense	**1,729**	1,484
	68,502	69,766

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

	2022	2021
Frames and Optics	**669**	621
Wholesale	**961**	964
Lenses	**102**	87
	1,732	1,672

Directors' remuneration during the year was as follows:

	2022 $'000	2021 $'000
Directors' salaries	**909**	811
Directors' pension contributions	**16**	35
Share options	**–**	373
	925	1,219

Information regarding the highest paid Director is as follows:

	2022 $'000	2021 $'000
Total remuneration	**318**	523

The number of Directors to whom employer pension contributions were made by the Group during year is three (2021: two). This was in the form of a defined contribution pension scheme.

Remuneration of key management personnel has been disclosed in note 31. For more information on Director pay, please refer to the Remuneration and Nomination Committee Report on pages 53 to 56.

8. Non-underlying costs

Non-underlying costs are those that in the Directors' view should be separately disclosed by virtue of their size, nature or incidence to enable a full understanding of the Group's financial performance in the year and business trends over time. Non-underlying costs incurred during the year are as follows:

	2022 $'000	2021 $'000
Acquisition costs	1,101	1,352
Other professional service costs	201	1,236
Restructuring costs	512	–
	1,814	2,588

Acquisition costs of $1,101,000 were incurred during the period relating to prospective acquisition targets. The Board decided to pause the acquisition process in the second half of 2022 due to market conditions. Other professional service costs of $201,000 relate to accounting transition and valuation following the acquisition of BoDe Design GmbH and EGO Eyewear Limited in December 2021. Restructuring costs of $512,000 were incurred in the period in relation to the closure of International Eyewear Limited and INSPECS Asia Limited. The closure of these entities is as a result of recent acquisitions and is therefore considered one-off in nature.

9. Finance costs and finance income

	2022 $'000	2021 $'000
Finance costs		
Bank loan interest	2,206	1,785
Invoice discounting interest and charges	94	57
Loan transaction costs	974	477
Lease interest	555	456
Total finance costs	3,829	2,775
Finance income		
Interest receivable	134	118

10. Loss before income tax

The loss before income tax is stated after charging:

	2022 $'000	2021 $'000
Cost of inventories recognised as expense	92,049	95,628
Short-term leases	486	486
Depreciation – owned assets (note 15)	3,841	3,423
Depreciation – right-of-use assets (note 25)	4,501	4,007
Amortisation – intangibles (note 14)	8,526	7,567
Impairment – intangibles (note 14)	–	3,453
Trading foreign exchange loss/(gain)	2,150	(1,171)

	2022 $'000	2021 $'000
Fees payable to the Company's auditor for audit services:		
Audit of the Company and Group accounts	592	574
Audit of the subsidiaries	1,142	830

No fees have been charged by the Company's auditor for non-audit services in the current or prior periods.

11. Income tax

Analysis of tax expense:

	2022 $'000	2021 $'000
Current tax:		
Current tax on profits for the year	**2,036**	1,618
Overseas current tax expense	**322**	469
Foreign tax suffered	**4**	–
Adjustment in respect of prior years	**(948)**	(128)
Total current tax	**1,414**	1,959
Deferred tax: (see note 29)		
Deferred tax income relating to the origination and reversal of timing differences	**(2,964)**	(4,430)
Effect of changes in tax rates	**(108)**	(1,122)
Adjustment in respect of prior years	**(7)**	(104)
Total deferred tax	**(3,079)**	(5,656)
Total tax credit reported in the consolidated income statement	**(1,665)**	(3,697)

Factors affecting the tax credit

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

	2022 $'000	2021 $'000
Loss before income tax	**(9,481)**	(9,132)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	**(1,801)**	(1,735)
Effects of:		
Non-deductible expenses – amortisation of intangible assets	**185**	853
Non-deductible expenses – other expenses	**907**	517
Increase/(decrease) in provision for uncertain tax liabilities	**152**	(2,224)
Capital allowances super deduction	**(2)**	–
Share-based payment	**459**	(136)
Different tax rate for overseas subsidiaries	**(3,065)**	(1,311)
Transfer pricing adjustments	**81**	1,017
Tax rate changes	**(108)**	(1,122)
Effects of Group relief	**–**	156
Amounts not recognised for deferred tax	**2,482**	520
Adjustments in respect of prior year	**(955)**	(232)
Tax credit	**(1,665)**	(3,697)

Movements in other comprehensive income relating to foreign exchange on consolidation are not taxable.

12. Earnings per share ('EPS')

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. A loss has been made in the year to 31 December 2022 and the comparative period. In accordance with IAS 33, potential Ordinary Shares shall be treated as dilutive when, and only when, their conversion to Ordinary Shares would decrease earnings per share, or increase loss per share from continuing operations. As a loss is made, including the dilution of potential Ordinary Shares reduces the loss per share and therefore the outstanding options should not be treated as dilutive when calculating EPS.

Adjusted PBT earnings per share figures are calculated by dividing adjusted PBT for the year by the weighted average number of Ordinary Shares outstanding during the year. Adjusted PBT diluted earnings per share figures are calculated by dividing Adjusted PBT for the year by the weighted average number of Ordinary Shares plus the weighted average number of Ordinary Shares that would be issued on the conversion of all dilutive potential Ordinary Shares into Ordinary Shares. A reconciliation to Adjusted PBT can be found in note 4.

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

Year ended 31 December 2022	**Basic weighted average number of Ordinary Shares ('000)**	**Total (loss)/earnings ($'000)**	**(Loss)/earnings per share ($)**
Basic loss per share	**101,672**	**(7,816)**	**(0.08)**
Diluted loss per share	**107,554**	**(7,816)**	**(0.08)**
Adjusted PBT basic EPS	**101,672**	**8,139**	**0.08**
Adjusted PBT diluted EPS	**107,554**	**8,139**	**0.08**

Year ended 31 December 2021	Basic weighted average number of Ordinary Shares ('000)	Total (loss)/earnings ($'000)	(Loss)/earnings per share ($)
Basic EPS	101,310	(5,435)	(0.05)
Diluted EPS	106,336	(5,435)	(0.05)
Adjusted PBT basic EPS	101,310	17,858	0.18
Adjusted PBT diluted EPS	106,336	17,858	0.17

Refer to note 21 for details in relation to the shares in issue and their rights.

13. Goodwill

	$'000
COST	
At 1 January 2022	**75,945**
Adjustment in respect of cases valuation	**(776)**
Exchange adjustment	**(7,935)**
At 31 December 2022	**67,234**
NET BOOK VALUE	
At 31 December 2022	**67,234**

	$'000
COST	
At 1 January 2021 (restated)	72,708
Additions	3,990
Exchange adjustment	(753)
At 31 December 2021 (restated)	75,945
NET BOOK VALUE	
At 31 December 2021 (restated)	75,945

13. Goodwill continued

During the period, management have re-assessed the valuation of case inventory in line with IAS 2. It is determined that cases should be held at the lower of cost or net realisable value, whereas previously case inventory has been held at nil value in Eschenbach. Whilst the impact of this adjustment in prior periods is not considered material to require restatement of prior year comparatives, an adjustment has been made to the carrying value of goodwill in relation to case inventory held by Eschenbach at the time of its acquisition in December 2020.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating unit of Twenty20 Limited ($11,512,000 as at 31 December 2022), Eschenbach Group GmbH ($51,878,000 as at 31 December 2022), INSPECS Limited ($210,000 as at 31 December 2022), BoDe Design GmbH ($976,000 as at 31 December 2022), EGO Eyewear Limited ($2,639,000 as at 31 December 2022) and INSPECS USA LC ($20,000 as at 31 December 2022) for impairment testing.

The recoverable amount of each cash-generating unit has been determined based on individual value in use calculations using cash flow projections covering a five-year period approved by senior management. The forecasts for 2023 have been prepared based on Board approved budgets for 2023. Financial years 2024 to 2027 were forecasted assuming a 5% increase in turnover based on synergies within the expanding Group of companies. Management has assumed a decrease in gross profit margin of 0.5% as a prudent estimation of the impact of climate change and our response to it and an increase in administration expenses of 5% per annum. From 2028 onwards we have assumed a 2% terminal growth rate. These assumptions have been used across all CGUs, with management considering that each CGU has similar potential for growth in the market in which it operates. In addition, no major changes have occurred in the existing political, legal and economic conditions in those locations in which each cash-generating unit operates.

The impact of climate change has been considered as part of our goodwill impairment review. If climate change has a negative impact on the operating costs of the Group there could be a potential impact on the discounted cash flow growth rates used in the models. Sensitivity analysis performed and set out below for each CGU demonstrates that the discount rates can increase considerably before an impairment is triggered. Therefore, at present, management has concluded that the impact of climate change would not be expected to trigger an impairment.

The discount rates used are before tax and reflect specific risks where required relating to the cash-generating unit. Discount rates used for each value in use calculation, along with relevant sensitivity analysis is detailed by CGU as follows:

Twenty20 Limited

The discount rate applied to the cash flow projections was 10.8%. In 2021 a company specific risk premium of 2.5% was included, however with Killine continuing to perform in line with budget expectations, it is not considered a company specific risk premium is required for 2022. 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 13.4%. To recognise an impairment provision the cash flow into perpetuity would need to be discounted by 13.7% with the applicable discount rate for the five-year period to 2027 remaining at 10.8%.

If the terminal growth rate was decreased to 1%, the discount rate applied to the cash flow projections would need to exceed 12.7% before an impairment would be recognised.

Eschenbach Holdings GmbH

The discount rate applied to the cash flow projections was 9.4%. Based on management's assessment there is no impairment adjustment required on goodwill.

To recognise an impairment provision the cash flow into perpetuity would need to be discounted by 12.5% with the applicable discount rate for the five-year period to 2027 remaining at 9.4%. To recognise an impairment on discount rate alone, the rate would need to increase to 12.2%.

If the terminal growth rate was decreased to 1%, the discount rate applied to the cash flow projections would need to exceed 11.5% before an impairment would be recognised.

BoDe Design GmbH

The discount rate applied to the cash flow projections was 11.2%. Based on management's assessment there is no impairment adjustment required on goodwill.

To recognise an impairment on discount rate alone, the total discount rate would have to exceed 29.8%.

EGO Eyewear Limited

The discount rate applied to the cash flow projections was 8.3%. Based on management's assessment there is no impairment adjustment required on goodwill.

To recognise an impairment provision the cash flow into perpetuity would need to be discounted by 16.5% with the applicable discount rate for the five-year period to 2027 remaining at 8.3%. To recognise an impairment on discount rate alone, the total discount rate would have to exceed 15.1%.

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for the year ended 31 December 2022

14. Intangible assets

	Patents and licences $'000	Customer relationships $'000	Trademarks $'000	Customer order book $'000	Computer software $'000	Totals $'000
COST						
At 1 January 2022	**368**	**48,801**	**18,457**	**776**	**3,373**	**71,775**
Additions	**92**	**–**	**–**	**–**	**950**	**1,042**
Disposals	**–**	**–**	**–**	**(786)**	**–**	**(786)**
Exchange differences	**8**	**(3,370)**	**(1,069)**	**10**	**(135)**	**(4,556)**
At 31 December 2022	**468**	**45,431**	**17,388**	**–**	**4,188**	**67,475**
AMORTISATION						
At 1 January 2022	**258**	**11,954**	**3,761**	**–**	**1,348**	**17,321**
Amortisation for the year	**94**	**3,707**	**3,589**	**776**	**360**	**8,526**
Disposals	**–**	**–**	**–**	**(786)**	**–**	**(786)**
Exchange differences	**7**	**(1,156)**	**(168)**	**10**	**(35)**	**(1,342)**
At 31 December 2022	**359**	**14,505**	**7,182**	**–**	**1,673**	**23,719**
NET BOOK VALUE						
At 31 December 2022	**109**	**30,926**	**10,206**	**–**	**2,515**	**43,756**

	Patents and licences $'000	Customer relationships $'000	Trademarks $'000	Customer order book $'000	Computer software $'000	Totals $'000
COST						
At 1 January 2021	322	41,274	18,788	68	2,650	63,102
Acquisition of a subsidiary	1	9,212	406	794	7	10,420
Additions	45	–	704	–	759	1,508
Disposals	–	–	–	(65)	–	(65)
Exchange differences	–	(1,685)	(1,441)	(21)	(43)	(3,190)
At 31 December 2021	368	48,801	18,457	776	3,373	71,775
AMORTISATION						
At 1 January 2021	180	5,849	310	5	453	6,797
Amortisation for the year	77	2,883	3,626	80	901	7,567
Impairment	–	3,453	–	–	–	3,453
Disposals	–	–	–	(65)	–	(65)
Exchange differences	1	(231)	(175)	(20)	(6)	(431)
At 31 December 2021	258	11,954	3,761	–	1,348	17,321
NET BOOK VALUE						
At 31 December 2021	110	36,847	14,696	776	2,025	54,454

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

14. Intangible assets continued

The individual intangible assets, excluding goodwill, which exceed 10% of the net book value of intangible assets, excluding goodwill, are:

	2022		2021	
Intangible asset	**$'000**	**Remaining amortisation period (years)**	$'000	Remaining amortisation period (years)
Eschenbach customer relationship with independents	**13,111**	**8**	15,646	9
EGO customer relationship with a single customer	**6,009**	**7**	6,868	8

15. Property, plant and equipment

Some of the Group's property, plant and equipment are subject to a charge to secure against the Group's bank loans.

	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 2022	12,285	864	11,418	3,719	978	3,618	32,882
Additions	575	–	521	1,382	332	383	3,193
Disposals	–	(24)	(73)	(248)	(77)	–	(422)
Assets held for sale (note 20)	(1,089)	–	–	–	–	–	(1,089)
Transfers	1,343	–	1,535	–	136	(3,014)	–
Exchange differences	(827)	(62)	(615)	123	(86)	(357)	(1,824)
At 31 December 2022	12,287	778	12,786	4,976	1,283	630	32,740
DEPRECIATION							
At 1 January 2022	1,067	319	5,432	909	586	–	8,313
Charge for the year	615	62	1,559	1,400	205	–	3,841
Disposals	–	(24)	(32)	(171)	(66)	–	(293)
Assets held for sale (note 20)	(83)	–	–	–	–	–	(83)
Exchange differences	(33)	(21)	(227)	220	(55)	–	(116)
At 31 December 2022	1,566	336	6,732	2,358	670	–	11,662
NET BOOK VALUE							
At 31 December 2022	10,721	442	6,054	2,618	613	630	21,078

15. Property, plant and equipment continued

	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 2021	10,590	862	10,829	3,269	1,102	1,282	27,934
Acquisition of a subsidiary	–	–	4	20	1	–	25
Additions	550	21	957	647	153	3,809	6,137
Disposals	–	–	(289)	–	(275)	–	(564)
Transfers	1,416	–	–	–	–	(1,416)	–
Exchange differences	(271)	(19)	(83)	(217)	(3)	(57)	(650)
At 31 December 2021	12,285	864	11,418	3,719	978	3,618	32,882
DEPRECIATION							
At 1 January 2021	569	200	3,847	219	639	–	5,474
Charge for the year	511	118	1,856	719	219	–	3,423
Eliminated on disposals	–	–	(289)	–	(275)	–	(564)
Exchange differences	(13)	1	18	(29)	3	–	(20)
At 31 December 2021	1,067	319	5,432	909	586	–	8,313
NET BOOK VALUE							
At 31 December 2021	11,218	545	5,986	2,810	392	3,618	24,569

As at 31 December 2022 the Group had capital commitments of $249,000 in respect of property, plant and equipment (2021: $nil).

16. Investment in associates

Share of net assets of associate	Interest in associate $'000
COST	
At 1 January 2022	**48**
Additions	**88**
Share of profit	**23**
Exchange difference	**(24)**
At 31 December 2022	**135**
NET BOOK VALUE	
At 31 December 2022	**135**

	$'000
Revenue	**100**
Expenses	**(77)**
Profit before tax	**23**
Income tax	**–**
Share of profit of associate for the year ended 31 December 2022	**23**

16. Investment in associates continued

The Group's associated undertakings are:

- Ruain Zuoyou Glasses Co Ltd, a company registered in China. 25% of the share capital of Ruain Zuoyou is owned by the Group, with Zhongshan Torkai Optical Co Limited being the direct owner of these shares.
- BeeQuick Logistics Lda, a company registered in Portugal. 40% of the share capital of BeeQuick is owned by the Group, with On Sight Services Lda being the direct owner of these shares. These shares were acquired during the year, being the addition identified above.

17. Inventories

	2022 $'000	2021 $'000
Raw materials	**4,360**	4,068
Work in progress	**2,006**	3,812
Finished goods	**51,891**	47,784
	58,257	55,664

The above includes amounts in respect of right of return assets and the amount for each year is as below:

	2022 $'000	2021 $'000
Finished goods – Right of return asset	**1,931**	1,581

Inventories are stated after provisions for impairment of $8,548,000 (2021: $9,646,000).

18. Trade and other receivables

	2022 $'000	2021 $'000
Current:		
Trade receivables	**27,424**	29,362
Prepayments	**2,742**	3,396
Other receivables	**7,510**	9,471
	37,676	42,229

Part of the Group uses an invoice factoring facility to prefinance certain trade receivables and assist with trade receivables collection. Other receivables include $5,361,787 (2021: $7,097,000) relating to retentions held by the factorer at the period end until rebate arrangements relating to the preceding period are finalised, at which point they are paid to the Group. 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:

	2022 $'000	2021 $'000
Invoiced in last month	**18,465**	18,404
1–2 months	**4,745**	6,616
2–3 months	**2,358**	2,113
Over 3 months	**1,856**	2,229
	27,424	29,362

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for the year ended 31 December 2022

18. Trade and other receivables continued

Set out below is the movement in the allowance for expected credit losses of trade receivables.

	2022 $'000	2021 $'000
At 1 January	**555**	556
Movement in the year	**251**	36
Exchange adjustment	**(31)**	(37)
At 31 December	**775**	555

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 customers order on purchase orders which are paid within 30 to 60 days and the remaining customer base is well diversified, and hence there is considered to be no significant credit risk. Acquisitions during the comparative year have further diversified the reliance on major customers and therefore have further mitigated credit risk. Trade receivables are non-interest-bearing and 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 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.

19. Cash and cash equivalents

	2022 $'000	2021 $'000
Cash at bank and in hand	**26,799**	29,759
	26,799	29,759

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ('RMB') amounted to $3,163,000 (2021: $2,738,000). 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 a 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 cash flows, cash and cash equivalents comprise the following at 31 December:

	2022 $'000	2021 $'000
Cash at bank and in hand	**26,799**	29,759
	26,799	29,759

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

20. Assets held for sale

The carrying amount of assets classified as held for sale at 31 December 2022 is $1,006,000 (2021: $nil). Assets held for sale relate to the Magdala Road property previously used as the manufacturing facility by Norville. The sales process began on 1 September 2022 and a sale is expected within 12 months. This asset is part of the lenses reporting segment (note 6).

21. Called up share capital

Authorised and issued share capital:

Number	Class	Nominal value	2022 $'000	2021 $'000
101,671,525 (2021: 101,671,525)	Ordinary	£0.01	**1,389**	1,389
			1,389	1,389

Each Ordinary Share carries the right to participate in distributions, as respects dividends and as respects capital on winding up.

22. Reserves

Share premium

This reserve records the amount above the nominal value of the sums received for shares issued, less transaction costs.

	2022 $'000	2021 $'000
At 1 January	**122,291**	121,940
Exercise of share options	**–**	351
At 31 December	**122,291**	122,291

Foreign currency translation reserve

This reserve records the foreign currency translation adjustment on consolidation.

	2022 $'000	2021 Restated $'000
At 1 January	**2,802**	(89)
Other comprehensive income	**(7,459)**	2,891
At 31 December	**(4,657)**	2,802

Share option reserve

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.

	2022 $'000	2021 $'000
At 1 January	**2,001**	867
Share-based payment charge	**1,729**	1,484
Exercise of share options	**–**	(437)
Share options cancelled	**(182)**	–
Deferred tax on share options (note 29)	**–**	87
At 31 December	**3,548**	2,001

The share-based payment charge for the year is recognised against the reserve as per IFRS 2 Share-Based Payments. 150,000 share options have been cancelled during the period. Upon cancellation of share options, the remaining element of fair value of the option is expensed immediately through the income statement. The related share option reserve is then recycled into retained earnings, resulting in the movement of $182,000 from the share option reserve to retained earnings.

22. Reserves continued

Retained earnings

	2022 $'000	2021 $'000
At 1 January	**9,429**	14,429
Loss for the year	**(7,816)**	(5,435)
Exercise of share options	**–**	435
Share options cancelled	**182**	–
Cash dividends	**(1,572)**	–
At 31 December	**223**	9,429

During the period, the final dividend in relation to 2021 was paid, amounting to 1.25 pence per share.

Merger reserve

This reserve arose on the share for share exchange between INSPECS Holdings Limited and INSPECS Group plc on 10 January 2020.

	2022 $'000	2021 $'000
At 1 January	**7,296**	7,296
At 31 December	**7,296**	7,296

23. Trade and other payables

	2022 $'000	2021 $'000
Current:		
Trade payables	**26,784**	32,801
Amounts owed to related parties	**239**	196
Other payables	**562**	934
Social security and other taxes	**5,119**	5,776
Royalties	**4,927**	4,435
Accruals	**9,732**	9,175
	47,363	53,317

The trade payables are non-interest-bearing and are normally settled on credit terms of 30–90 days. Amounts owed to related parties are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

24. Financial liabilities – borrowings

	2022 $'000	2021 $'000
Current:		
Invoice discounting	**1,803**	2,433
Bank loans	**58,204**	9,979
Lease liabilities	**4,396**	3,310
	62,600	13,289

	2022 $'000	2021 $'000
Non-current:		
Bank loans	**225**	50,113
Lease liabilities	**19,793**	19,081
	20,018	69,194

At the balance sheet date, the available invoice discounting facility was $1,827,000 (2021: $1,621,000). The invoice discounting facility bears interest at 2.25% over base rate (2021: 2.00%). 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.

As at 31st December 2022, it was determined the Group was in technical breach of its cashflow cover loan covenant, which has resulted in the re-classification of the loan balance ($45.7m) to a current liability in line with IAS 1. Subsequently, HSBC has waived the cashflow cover and leverage covenants at 31 December 2022.

On 27 October 2021, the Group entered a new multi-currency term loan with HSBC for $18,700,000. Repayments under this loan are $900,000 per quarter plus interest. Interest is payable at the applicable Margin Rate plus LIBOR calculated daily on a 360-day year basis. The Margin Rate is 1.90%, 2.15% or 2.40% dependent upon the Group's leverage ratio. The loan matures in October 2024.

The Group also holds a multi-currency revolving credit facility, from which an additional $4,000,000 was drawn down in September 2022, increasing this loan to $36,385,000 as at 31 December 2022. Interest is payable at LIBOR/EURIBOR/SONIA (depending on the currency in which funds are drawn down) plus 2.4% calculated daily on a 360-day year basis. The credit facility matures in October 2024.

Loans amounting to $8,700,000 were refinanced during the year, bringing these balances to the same lender as the rest of the Group. This new loan holds an interest rate of LIBOR plus 2.25%.

Remaining loans in the Group are at a fixed interest rate of 2.0% and are repayable in between one and five years. The Group's bank loans and overdrafts are secured against the business assets of the Group. The Group's lease liabilities are secured against the assets concerned.

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for the year ended 31 December 2022

25. 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 and machinery, motor vehicles and leasehold properties generally have lease terms between two 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 2022	**24,147**	**669**	**2,334**	**27,150**
Additions	**5,310**	**339**	**2,050**	**7,699**
Disposals	**(1,614)**	**(321)**	**(681)**	**(2,616)**
Exchange differences	**(1,669)**	**(31)**	**(89)**	**(1,789)**
At 31 December 2022	**26,174**	**656**	**3,614**	**30,444**
DEPRECIATION				
At 1 January 2022	**3,843**	**277**	**761**	**4,881**
Charge for the year	**2,944**	**258**	**1,299**	**4,501**
Eliminated on end of lease	**(1,621)**	**(306)**	**(576)**	**(2,503)**
Exchange differences	**(251)**	**(8)**	**14**	**(245)**
At 31 December 2022	**4,915**	**221**	**1,498**	**6,634**
NET BOOK VALUE				
At 31 December 2022	**21,259**	**435**	**2,116**	**23,810**

	Leasehold properties $'000	Plant & machinery $'000	Motor vehicles $'000	Total $'000
COST				
At 1 January 2021	19,556	718	1,517	21,791
Acquisition of a subsidiary	273	–	138	411
Additions	5,973	16	834	6,823
End of lease	(315)	(24)	(69)	(408)
Exchange differences	(1,340)	(41)	(86)	(1,467)
At 31 December 2021	24,147	669	2,334	27,150
DEPRECIATION				
At 1 January 2021	1,331	31	50	1,412
Charge for the year	2,920	279	808	4,007
Eliminated on end of lease	(315)	(24)	(69)	(408)
Exchange differences	(93)	(9)	(28)	(130)
At 31 December 2021	3,843	277	761	4,881
NET BOOK VALUE				
At 31 December 2021	20,304	392	1,573	22,269

25. Right-of-use assets and leases continued

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2022 $'000	2021 $'000
At 1 January	**22,391**	20,274
Acquisition of a subsidiary	**–**	411
Additions	**7,699**	6,822
Interest charge	**541**	456
Payments	**(4,745)**	(4,224)
Reduction in lease terms	**(74)**	–
Exchange adjustment	**(1,623)**	(1,348)
As at 31 December	**24,189**	22,391
Current	**4,396**	3,310
Non-current	**19,793**	19,081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

26. Changes in liabilities from financing activities

	1 January 2022 $'000	New loans $'000	Repayments $'000	Reclassification between current and non-current $'000	Transaction costs on debt refinancing $'000	New leases $'000	Foreign exchange on consolidation $'000	31 December 2022 $'000
Due in one year								
Bank loans	**(9,979)**	**(8,783)**	**6,801**	**(50,341)**	**(974)**	**–**	**5,072**	**(58,204)**
Lease liabilities	**(3,310)**	**–**	**4,745**	**(5,995)**	**–**	**–**	**164**	**(4,396)**
Invoice discounting facility	**(2,433)**	**–**	**384**	**–**	**–**	**–**	**246**	**(1,803)**
Due after one year								
Bank loans	**(50,113)**	**(4,000)**	**3,580**	**50,341**	**–**	**–**	**(33)**	**(225)**
Lease liabilities	**(19,081)**	**–**	**–**	**5,995**	**–**	**(7,703)**	**996**	**(19,793)**
Total liabilities from financing activities	**(84,916)**	**(12,783)**	**15,510**	**–**	**(974)**	**(7,703)**	**6,445**	**(84,421)**

Balances at the end of each reporting period are summarised in note 24, with balances above being shown under interest-bearing loans and borrowings on the balance sheet.

	1 January 2021 $'000	New loans $'000	Repayments $'000	Reclassification between current and non-current $'000	Transaction costs on debt refinancing $'000	New leases $'000	Acquired on acquisition of subsidiary $'000	Foreign exchange on consolidation $'000	31 December 2021 $'000
Due in one year									
Bank loans	(3,855)	(6,028)	4,092	(3,946)	(478)	–	(176)	412	(9,979)
Lease liabilities	(2,975)	–	4,224	(4,691)	–	–	–	132	(3,310)
Invoice discounting facility	–	(2,477)	–	–	–	–	–	44	(2,433)
Due after one year									
Bank loans	(53,092)	(20,723)	18,781	3,946	–	–	–	975	(50,113)
Lease liabilities	(17,299)	–	–	4,691	–	(6,822)	(411)	760	(19,081)
Total liabilities from financing activities	(77,221)	(29,228)	27,097	–	(478)	(6,822)	(587)	2,323	(84,916)

Balances at the end of each reporting period are summarised in note 24, with balances above being shown under interest-bearing loans and borrowings on the balance sheet.

27. Analysis of cash flows given in the statement of cash flows

A reconciliation of profit for the year to cash generated from operations is shown below:

	Notes	2022 $'000	2021 $'000
Loss before income tax		**(9,481)**	(9,132)
Adjustments for:			
Depreciation	15, 25	**8,342**	7,430
Amortisation and impairment of intangible assets	14	**8,526**	11,020
Share of (profit)/loss of associate	16	**(23)**	10
Share-based payment	32	**1,729**	1,484
Earnout on acquisitions	28	**1,909**	–
Exchange adjustment on borrowings	33	**2,528**	5,418
Cases valuation adjustment against goodwill	13	**776**	–
Loss on disposal of non-current assets	14, 15	**129**	–
Exchange adjustment on trading		**–**	(1,171)
Finance costs	9	**3,829**	2,775
Finance income	9	**(134)**	(118)
Changes in working capital			
(Increase)/decrease in inventories	17	**(8,418)**	149
Decrease in trade and other receivables	18	**117**	1,923
Increase in trade and other payables	23	**2,529**	5,107
Cash flows from operating activities		**12,358**	24,895

28. Deferred consideration

Deferred considerations payable relate to the acquisitions of BoDe Design GmbH and EGO Eyewear Limited. In relation to BoDe Design GmbH, the full balance of $685,000 is based on the performance of the entity during 2022. In relation to EGO Eyewear Limited, $2,451,000 is deferred consideration payable in equal instalments in 2023, 2024 and 2025. The remaining balance is based on the performance of the entity during 2022. 2021 deferred consideration has been restated, as detailed in note 35. The split of the deferred consideration between each entity is as follows:

	2022 $'000	2021 Restated $'000
BoDe Design GmbH	**–**	371
EGO Eyewear Limited	**1,634**	2,736
Total non-current deferred consideration	**1,634**	3,107

	2022 $'000	2021 Restated $'000
BoDe Design GmbH	**685**	–
EGO Eyewear Limited	**2,361**	–
Total current deferred consideration	**3,046**	–

The previous owners of BoDe design and EGO eyewear are entitled to earnout payments based on the performance of each entity to 31 December 2025. A charge has been recognised in the Income Statement of $1,909,000 (2021: $nil) in relation to the earnout payable as a result of performance for the year to 31 December 2022.

29. Deferred tax

	Deferred tax asset $'000	Deferred tax liability $'000	Total $'000
On 1 January 2022	**12,540**	**(20,517)**	**(7,977)**
Credit/(charge) for the year:			
Temporary timing differences	**(2,813)**	**6,971**	**4,158**
Deferred tax (charge)/credit to profit and loss	**(2,813)**	**6,971**	**4,158**
Exchange adjustment	**(1,251)**	**1,993**	**742**
On 31 December 2022	**8,476**	**(11,553)**	**(3,077)**

	Deferred tax asset $'000	Deferred tax liability $'000	Total $'000
On 1 January 2021	12,771	(24,678)	(11,907)
Acquired on acquisition of subsidiary	–	(2,423)	(2,423)
Credit/(charge) for the year:			
Derecognition of losses brought forward	(422)	–	(422)
Losses in the year	1,012	–	1,012
Temporary timing differences	(186)	5,124	4,938
Deferred tax credit to profit and loss	404	5,124	5,528
Deferred tax credit to share option reserve	87	–	87
Exchange adjustment	(722)	1,460	738
On 31 December 2021	12,540	(20,517)	(7,977)

The deferred tax balances consist of the tax effect of timing differences in respect of:

	2022 $'000	2021 $'000
Unused trade losses	**4,680**	4,144
Right of return liability	**1,978**	1,178
Lease liability	**137**	5,106
Other short-term differences	**1,681**	2,112
Total deferred tax asset	**8,476**	12,540

	2022 $'000	2021 $'000
Right of use asset	**(18)**	(5,056)
Right of return asset	**–**	(362)
Intangible assets	**(9,641)**	(11,937)
Inventory	**–**	(1,324)
Property, plant and equipment	**(1,414)**	(1,586)
Other short-term differences	**(480)**	(252)
Total deferred tax liability	**(11,553)**	(20,517)

In addition to the deferred tax assets and liabilities recognised, the Group has tax losses that arose in subsidiary entities of $3,336,000 (2021: $1,692,000) that are available indefinitely for offsetting against future taxable profits of the entities 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.

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30. Tax payable

	2022 $'000	2021 $'000
Corporation tax payable	**1,029**	2,157
Uncertain tax liabilities	**706**	623
	1,735	2,780

The Group has previously identified it is potentially exposed to uncertain tax positions in relation to tax authorities challenging 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 possible that these uncertain tax positions may result in a future outflow of funds to one or more local tax authorities and has recognised current tax liabilities for these uncertainties.

As referenced last year, during 2022 we expected a further review of uncertain tax provisions to be completed in relation to this perceived risk. This review has been delayed until 2023 now that regular travel has been renewed after COVID restrictions. Management have taken a view to continue to recognise a liability as at 31 December 2022 following the same approach to the liability calculated at 31 December 2021.

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 are (i) relative probabilities of such tax liabilities crystallising in one or more of the jurisdictions in which the Group operates, (ii) the tax periods over which tax authorities would seek to challenge the Group's tax domicile arrangements; and (iii) 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. If the probability of tax liabilities crystallising is increased by 5%, the provision against uncertain tax liabilities increases to $842,000. If the probability of tax liabilities crystallising is decreased by 5%, the provision against uncertain tax liabilities decreases to $571,000.

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.

31. Related party disclosures

The Group has taken advantage of the exemption not to disclose related party transactions with wholly owned subsidiaries within the Group. Below are transactions and balances with related parties that are not owned.

a) Kelso Place LLP

Mr R Totterman is a designated member and controlling owner of Kelso Place LLP. During the year Kelso Place LLP leased the Bath head office building to INSPECS Limited. As at 31 December 2022, a right-of-use asset with net book value of $130,000 (2021: $319,000) and lease liability of $132,000 (2021: $320,000) related to this lease, with depreciation of $159,000 (2021: $174,000) and interest of $6,000 (2021: $10,000) charged to the income statement. At the year end, the Group owed Kelso Place LLP $233,000 (2021: $205,000) in respect of the above.

b) Thorne Lancaster Parker

Mr C Kay, a Director of the Company is also a Partner in Thorne Lancaster Parker. During the year the partnership charged INSPECS Limited $10,000 (2021: $53,000) in respect of professional services provided. At 31 December 2022, INSPECS Limited owed Thorne Lancaster Parker $4,000 (2021: $nil) in respect of the above. During the year the partnership charged Norville (20/20) Limited $9,000 (2021: $14,000) in respect of professional services provided, with $2,000 being owed at the end of the year (2021: $4,000). This balance is included within trade payables.

c) Key management personnel

The key management personnel of INSPECS Group plc at 31 December 2022 are R Totterman, R Peck, C Kay, M Lefebvre and J Zobel. In respect of these individuals, the total short-term employee benefits payable in the period were $2,068,000 (2021: $1,706,000) and post-employment benefits were $16,000 (2021: $35,000). In addition, share-based payments totalled $918,000 (2021: $733,000) in relation to these individuals.

d) Minima SAS

During the year M Lefebvre, who is identified as a part of the key management personnel of INSPECS Group plc, acquired a controlling share ownership of Minima SAS. During 2022, INSPECS Group plc charged $269,000 in respect of goods provided, with a balance of $125,000 being owed to the Group at 31 December 2022.

d) Consultancy costs

In addition to a Non-Executive Director salary, A Farrugia, a Non-Executive Director of the Group, was paid $17,000 (2021: $nil) during the year in respect of brand consultancy services.

32. Share-based payments

Certain employees of the Group have been granted options over shares in INSPECS Group plc. The options are granted with a fixed exercise price and are exercisable between three and ten years after 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 the share option reserve. On exercise of the shares by the employees, the Company is charged the intrinsic value of the shares by INSPECS Group plc and this amount is treated as a reduction of the capital contribution 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
11 October 2019	1 July 2022	1.27	412,102
27 February 2020	27 February 2025	2.52	1,923,110
22 December 2020	22 December 2025	2.87	1,410,000
26 February 2021	26 February 2026	4.53	641,036
21 June 2021	21 June 2026	4.87	90,000
31 August 2021	31 August 2026	5.09	275,000
23 December 2021	23 December 2026	4.95	454,999
28 February 2022	28 February 2027	5.02	641,036

The option weighted average exercise price is $3.36 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:

	2022 $'000	2021 $'000
Expense arising from equity-settled share-based payment transactions	**1,729**	1,484
Taxes charged to the Group in respect of options exercised	**–**	–
Total expenses arising from share-based payment transactions	**1,729**	1,484

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:

	Number 2022	Number 2021
At 1 January	**5,356,247**	4,327,307
Granted during the year	**641,036**	1,561,035
Exercised during the year	**–**	(532,095)
Cancelled during the year	**(150,000)**	–
As at 31 December	**5,847,283**	5,356,247

WAEP	2022 $	2021 $
At 1 January	**3.14**	2.41
Granted during the year	**0.29**	4.67
Exercised during the year	**–**	(3.94)
Cancelled during the year	**(0.07)**	–
As at 31 December	**3.36**	3.14

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

32. Share-based payments continued

The following table lists the inputs to the models used for the valuation of the options issued during the year.

	Options granted 28 February 2022
Number of options in issue as at 31 December 2022	641,036
Dividend yield (%)	0%
Expected volatility	27.4%
Risk-free interest rate	1.08%
Exercise price	$5.02
Ordinary Share price at grant date	$4.92
Expected life of share options/SARs (years)	5 years
Model used	Black Scholes option analysis

The determination of the risk-free interest rate has been based on the UK Sovereign Curve for each grant made during 2022.

33. 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 the 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 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 which arise in the normal course of its business. The Board of Directors reviews and agrees policies to analyse and formulate 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 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 proportion of loans and borrowings affected. With all other variables held constant, the Group's loss before tax is affected through the impact on floating rate borrowings as follows, based on the outstanding loans from the bank as at 31 December 2022:

	Loan balance $'000	Increase/ decrease in basis points	Effect on loss before tax $'000
2022	58,429	50 BP	292
2021	60,092	50 BP	300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

33. Financial risk management continued

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 to both the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's borrowing (both internal and external) when held in a different currency to the functional currency of the Company in which they are held.

The Group manages its foreign currency risk by selling and buying in the same currencies where possible but does not enter into any material 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.

Exchange adjustments on borrowings has resulted in a charge to the profit and loss account of $2,528,000 (2021: $5,418,000). This arises from loans with banks denominated in foreign currencies ($722,000) and intercompany loans ($1,806,000).

The following table demonstrates the sensitivity at the end of the reporting period to a reasonable possible change in the United States Dollar (USD), Euro (EUR) 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, and are compared against the Pound Sterling (GBP) as this is the functional currency of the Group. There is no impact on the Group's equity except on the retained profits.

2022	Increase/(decrease) in exchange rate %	Increase/(decrease) in loss before tax $
If the GBP weakens against the USD	5	(16,282)
If the GBP strengthens against the USD	(5)	16,282
If the GBP weakens against the EUR	5	(50,267)
If the GBP strengthens against the EUR	(5)	50,267
If the GBP weakens against the MOP	5	(338,825)
If the GBP strengthens against the MOP	(5)	338,825

Credit risk

The Group trades only with parties who have been assessed via a credit check. Receivables balances are monitored on an ongoing basis and the Group's history of credit losses of trade receivables is 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.

	2022 $'000	2021 $'000	Increase/ (decrease) $'000
Trade receivables			
Current	**20,507**	21,822	(1,315)
Past due 1-30 days	**3,796**	4,225	(429)
Past due 31-60 days	**442**	1,186	(744)
Past due 61+ days	**2,679**	2,129	550
Total	**27,424**	29,362	(1,938)
Percentage over terms	**25%**	26%	

Raw material costs and inflation

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 2022 accounted for 15% of cost of sales (2021: 9%). This risk is mitigated by the use of different suppliers and the diversification of production locations across the Group. The risk of inflation has led to cost increases for goods and services, including shipping costs. The eyewear market continues to grow and over the long term, the Group can mitigate the loss of margin through an increase in its selling price.

33. Financial risk management continued

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 they typically return an interest rate of around 0.5%.

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 cash flows of the Group's financial liabilities:

	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000	Total $'000
Bank overdrafts (including invoice discounting facility)	1,803	–	–	–	1,803
Interest-bearing loans and borrowings (excluding items below)	58,204	307	–	–	58,511
Lease liabilities	4,396	7,441	7,092	5,617	24,546
Other financial liabilities – right of return	12,838	–	–	–	12,838
Trade and other payables	47,363	–	–	–	47,363

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. 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:

	2022		2021	
	Actual	**Required**	Actual	Required
Leverage	**Waived**	**Waived**	1.9	Below 2.0
Interest cover	**5.0**	**Above 4.0**	12.3	Above 4.0
Cash flow cover	**Waived**	**Waived**	1.6	Above 1.2

34. Guarantees

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 2022. Consequently, the Company has provided the statutory guarantee in relation to the subsidiary's liabilities. The third-party liabilities of the subsidiary as of 31 December 2022 amounted to $nil (2020: $1,000).

35. Prior year adjustment – contingent consideration

Under IFRS 3: Business Combinations, contingent consideration payable dependent on continuing employment of the previous owners should be accounted for as remuneration for continuing services over the period to which it relates. Within the 2021 Annual Report, these earnout payments were included within the total consideration for both the BoDe Design GmbH and EGO Eyewear Limited acquisitions. A prior year adjustment is therefore required to reduce the deferred consideration liability by $5,398,000, reduce goodwill by $5,414,000 and reduce the foreign currency translation reserve by $16,000. There is no impact on the prior year Income Statement as no earnout payments related to 2021, with the acquisitions both made in December 2021.

35. Prior year adjustment – contingent consideration continued

The reconciliation of the restated Statement of Financial Position as at 31 December 2021 is shown below:

	31 December 2021 $'000	Prior year adjustment $'000	Restated 31 December 2021 $'000
ASSETS			
Non-current assets			
Goodwill	81,359	(5,414)	75,945
Intangible assets	54,454	–	54,454
Property, plant and equipment	24,569	–	24,569
Right-of-use asset	22,269	–	22,269
Investment in associates	48	–	48
Deferred tax	12,540	–	12,540
	195,239	(5,414)	189,825
Current assets			
Inventories	55,664	–	55,664
Trade and other receivables	42,229	–	42,229
Tax receivable	3,468	–	3,468
Cash and cash equivalents	29,759	–	29,759
	131,120	–	131,120
Total assets	326,359	(5,414)	320,945
EQUITY			
Called up share capital	1,389	–	1,389
Share premium	122,291	–	122,291
Foreign currency translation reserve	2,818	(16)	2,802
Share option reserve	2,001	–	2,001
Merger reserve	7,296	–	7,296
Retained earnings	9,429	–	9,429
Total equity	145,224	(16)	145,208

	31 December 2021 $'000	Prior year adjustment $'000	Restated 31 December 2021 $'000
LIABILITIES			
Non-current liabilities			
Financial liabilities – borrowings	69,194	–	69,194
Contingent and deferred consideration	8,505	(5,398)	3,107
Deferred tax	20,517	–	20,517
	98,216	(5,398)	92,818
Current liabilities			
Trade and other payables	53,317	–	53,317
Right of return liabilities	11,100	–	11,100
Financial liabilities – borrowings			
Interest-bearing loans and borrowings	13,289	–	13,289
Invoice discounting	2,433	–	2,433
Tax payable	2,780	–	2,780
	82,919	–	82,919
Total liabilities	181,135	(5,398)	175,737
Total equity and liabilities	326,359	(5,414)	320,945

36. Post balance sheet events

Since the balance sheet date, but before these Financial Statements were approved, there were no events that the Directors consider material to the users of these Financial Statements.

COMPANY BALANCE SHEET

as at 31 December 2022

	Notes	2022 $'000	2021 $'000
ASSETS			
Fixed assets			
Investments	3	**69,828**	76,762
Right of use assets	4	**124**	–
Current assets			
Trade and other debtors – falling due after more than one year	5	**99,962**	115,331
Trade and other debtors – falling due within one year	6	**1,487**	–
Cash and cash equivalents	7	**44**	–
Total assets		**171,445**	192,093
EQUITY			
Shareholders' equity			
Called up share capital	8	**1,389**	1,389
Share premium	9	**122,291**	122,291
Foreign currency translation reserve	9	**(22,390)**	(2,295)
Share option reserve	9	**3,548**	2,001
Merger reserve	9	**7,296**	7,296
Retained earnings	9	**58,695**	61,411
Total equity		**170,829**	192,093
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	4, 10	**89**	–
Current liabilities			
Trade and other creditors	11	**491**	–
Interest-bearing loans and borrowings	4, 10	**36**	–
Total liabilities		**616**	–
Total equity and liabilities		**171,445**	192,093

The notes on pages 116 to 125 form part of these Financial Statements. Registered Company number: 11963910.

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 2022 was $1,326,000 (2021: $1,043,000 loss).

The Financial Statements were approved by the Board of Directors on 03 May 2023 and were signed on its behalf by:

R Peck
Director

C Kay
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Notes	Called up share capital $'000	Share premium $'000	Foreign currency translation reserve $'000	Share option reserve $'000	Retained earnings $'000	Merger reserve $'000	Total equity $'000
Balance at 1 January 2021		1,384	121,940	(157)	867	62,019	7,296	193,349
Changes in equity								
Loss for the year		–	–	–	–	(1,043)	–	(1,043)
Other comprehensive loss	9	–	–	(2,138)	–	–	–	(2,138)
Total comprehensive loss		–	–	(2,138)	–	(1,043)	–	(3,181)
Share-based payments	9	–	–	–	1,484	–	–	1,484
Exercise of share options	9	5	351	–	(350)	435	–	441
Balance at 31 December 2021		1,389	122,291	(2,295)	2,001	61,411	7,296	192,093
Changes in equity								
Loss for the year		**–**	**–**	**–**	**–**	**(1,326)**	**–**	**(1,326)**
Other comprehensive loss	9	**–**	**–**	**(20,095)**	**–**	**–**	**–**	**(20,095)**
Total comprehensive loss		**–**	**–**	**(20,095)**	**–**	**(1,326)**	**–**	**(21,421)**
Share-based payments	9	**–**	**–**	**–**	**1,729**	**–**	**–**	**1,729**
Share options cancelled	9	**–**	**–**	**–**	**(182)**	**182**	**–**	**–**
Cash dividends	9	**–**	**–**	**–**	**–**	**(1,572)**	**–**	**(1,572)**
Balance at 31 December 2022		**1,389**	**122,291**	**(22,390)**	**3,548**	**58,695**	**7,296**	**170,829**

The notes on pages 116 to 125 form part of these Financial Statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. General information

INSPECS Group plc is a public 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 was that of a parent company providing services that support the Group. From the start of the period the Company has incurred costs to support the Group which have been re-charged to subsidiary entities where appropriate.

2. Accounting policies

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'), the Companies Act 2006 as applicable to companies using FRS 101, and applicable accounting standards. The Financial Statements have been prepared on the historical cost basis, and as a going concern. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

As permitted by section 408(3) of the Companies Act 2006, no separate profit and loss account has been presented for the Company. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available in the preparation of the Financial Statements in relation to the presentation of a statement of cash flows.

Investments

Investments held as non-current assets comprise the Company's investment in subsidiaries and are shown at fair value on the date of acquisition, less any provision for impairment. In the case of the share for share exchange which occurred in the prior period, the number and aggregate value of the shares issued was specified in the share for share exchange agreement.

An annual review of investments is performed for indicators of impairment. If indicators of impairment are identified investments are tested for impairment to ensure that the carrying value of the investments is supported by their recoverable amount.

Current and non-current classifications

The Company presents assets and liabilities in the balance sheet based on fixed or 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, 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 Company 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 Company classifies all other liabilities as non-current.

Leases

The Company 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 Company recognises right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

2. Accounting policies continued

Right-of-use asset

The Company 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:

Plant and machinery	3 years
Motor vehicles	3 years

Lease liabilities

At the commencement date of the lease, the Company 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. They also include any amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company 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 or a change in the assessment of an option to purchase the underlying asset.

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

The Company 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 are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

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 subsequent measurement

Financial assets are classified, at initial recognition and subsequently measured at amortised cost, and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include loans to Group undertakings.

The Company 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 is primarily derecognised when the rights to receive cash flows from the asset have expired.

Impairment of financial assets

The Company 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 Company expects to receive.

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

2. Accounting policies continued

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, that 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 Company'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.

Share-based payments

Employees (including senior executives) of the Company 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 consolidated accounts. That cost is recognised in employee benefits expense in the company within which the relevant employee is employed, 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 Company'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.

Details of the Group's share option scheme are provided in note 31 of the Consolidated Financial Statements.

Dividend

Final dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

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 Company operates.

Tax liabilities are recognised when it is considered probable that there will be a future outflow of funds to a taxing authority.

Foreign currencies

These Financial Statements are presented in USD, which is the Company's presentational currency. The functional currency of the Company is GBP. 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 resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

Pensions and other post-employment benefits

The Company operates defined contribution pension schemes, where the amounts charged to the statement of comprehensive income are 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

2. Accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company'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.

Estimates involve the determination of the quantum of accounting balances to be recognised. Judgements typically involve decisions such as whether to recognise an asset or liability.

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:

Expected credit loss

In accordance with IFRS 9, the expected credit loss model is used to determine an expectation of an economic loss of an asset. Application of this model to the loans to Group undertakings within the Company requires estimation by management. An expected credit loss calculation has been performed by management, which has deemed that the required provision is considered immaterial and no provision has been recognised against the Group undertakings shown in notes 5 and 6 due to the recovery risk being deemed immaterial.

Judgements made by management which are considered to have a material impact on the Financial Statements are as follows:

Carrying value of investments

An annual review of investments is performed to identify any indicators of impairment which, if found, would result in an impairment review being performed. Judgement is required by management in performing this review, including in the identification and interpretation of any indicators.

3. Investments

	Shares in subsidiaries $'000
COST AND NET BOOK VALUE	
At 1 January 2022	76,762
Additions for share-based payments in subsidiaries	1,729
Foreign exchange	(8,663)
At 31 December 2022	69,828

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 Holdings Limited*	7–10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Holding company	Ordinary	100.00
INSPECS Limited[8]	7–10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Eyewear trading	Ordinary	100.00
INSPECS USA LC[8]	18401 US Highway 19N, Clearwater, Florida 33764, USA	Eyewear trading	Ordinary	100.00
Algha Group Limited[8]	7–10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Eyewear manufacturing	Ordinary	100.00
INSPECS Scandinavia AB[8]	184 40 Akersberga, Stockholm, Sweden	Eyewear trading	Ordinary	100.00
Maronglow Limited[1]	7–10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Dormant	Ordinary	100.00
UK Optical Limited[8]	7–10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Dormant	Ordinary	100.00

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

3. Investments continued

Subsidiaries	Registered office	Nature of business	Class of shares	% holding
American Optical UK Limited[8]	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
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	Eyewear trading	Ordinary	100.00
Neo Optical Company Limited[5]	Neo Town Industrial Zone, Yen Dung District, Bac Giang Province, Vietnam	Eyewear manufacturing	Ordinary	100.00
On Sight Services-Sociedade Unipessoa, Lda[3]	Rua Soares de Passos, 10A/10B, Portugal	Eyewear 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

Subsidiaries	Registered office	Nature of business	Class of shares	% holding
Zhongshan Torkai Optical Co Limited[6]	Shagou Industrial Park, Banfu County, Zhongshan, Guangdong, China	Eyewear manufacturing	Ordinary	100.00
Neway (Macao Commercial Offshore) Limited[9]	Alameda Dr. Carlos D'Assumpcao, nos 335–341 Edificio Hot line, 21 andar D, em Macau	Eyewear trading	Ordinary	100.00
Kudos S.R.L.[1]	Via Noai 5, Domeggi Di Cadore, CAP 32040, Italy	Eyewear manufacture	Ordinary	100.00
Primoptic Limited[7]	Alameda Dr. Carlos D'Assumpcao, nos 335–341, Edificio Centro, 21 andar A, em Macau	Eyewear trading	Ordinary	100.00
Yardine Limited[3]	Nemours Chambers Limited, Road Town, Tortola, British Virgin Islands	Holding company	Ordinary	100.00
INSPECS Asia Limited[8]	10F Sing Ho Finance Building, 166–168 Gloucester Road, Hong Kong	Quality control services	Ordinary	100.00
Duval Company Group Limited[3]	Nemours Chambers, Road Town, Tortola, British Virgin Islands	Holding company	Ordinary	100.00
Norville (20/20) Limited[2]	7–10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Lens manufacturer	Ordinary	100.00
Hardy Amies Limited[2]	7–10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Dormant	Ordinary	100.00
BoDe Design GmbH[2]	Hofweg 20, 97737 Gemunder am Main, Germany	Eyeware trading	Ordinary	100.00

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

3. Investments continued

Subsidiaries	Registered office	Nature of business	Class of shares	% holding
EGO Eyewear Limited[2]	7–10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Eyeware trading	Ordinary	100.00
EGOptiska AB[15]	Johannesgränd 1, Stockholm, Sweden	Eyeware trading	Ordinary	100.00
EGOptiska International AB[15]	Johannesgränd 1, Stockholm, Sweden	Eyeware trading	Ordinary	100.00
EGO Eyewear (HK) Limited[15]	Yau Tsim Mong, Hong Kong	Eyeware trading	Ordinary	100.00
EGO Eyewear AB[15]	Johannesgränd 1, Stockholm, Sweden	Eyeware trading	Ordinary	100.00
Greights AB[17]	Johannesgränd 1, Stockholm, Sweden	Eyeware trading	Ordinary	50.00
Eschenbach Holding GmbH[2]	Fürther Straße 252, 90429, Nuremberg, Germany	Holding company	Ordinary	100.00
Eschenbach Beteiligungs GmbH[10]	Fürther Straße 252, 90429, Nuremberg, Germany	Holding company	Ordinary	100.00
Eschenbach Optik GmbH[14]	Althardstraße 70, Regensdorf, Switzerland	Eyeware trading	Ordinary	100.00
Eschenbach Optik B.V.[14]	Osloweg 134, Groningen, Netherlands	Eyeware trading	Ordinary	100.00
Eschenbach Optik spol s. r.o.[14]	K Fialce 35, Prague, Czech Republic	Eyeware trading	Ordinary	100.00
Eschenbach Optik sp. z o.o.[14]	ul. Biedronki 60, Warsaw, Poland	Eyeware trading	Ordinary	100.00

Subsidiaries	Registered office	Nature of business	Class of shares	% holding
Eschenbach Optik GmbH[14]	Brunnenfeldstraße 14, Linz, Austria	Eyeware trading	Ordinary	100.00
Eschenbach Optik s.a.r.l[14]	64 rue Claude Chappe, Plaisir, France	Eyeware trading	Ordinary	100.00
Eschenbach Optik s.r.l.[14]	Via C.Colombo 10, Torino, Italy	Eyeware trading	Ordinary	100.00
Eschenbach Optik of America, Inc.[14]	22 Shelter Rock Lange, Danbury, USA	Eyeware trading	Ordinary	100.00
Eschenbach Optik of Japan Co.Ltd.[14]	2-15-4 Kanda-Tsukasamachi, Chiyoda-ku, Tokyo, Japan	Eyeware trading	Ordinary	100.00
Eschenbach Optik S.L.[14]	Consell de Cent 106-108, Barcelona, Spain	Eyeware trading	Ordinary	100.00
Eschenbach Optik GmbH[11]	Fürther Straße 252, 90429, Nuremberg, Germany	Eyeware trading	Ordinary	100.00
Eschenbach Optik (Shenzhen)[14]	Block A, Tian An Cyber Times Che Gong Miao, Futian District, Shenzhen, China	Eyeware trading	Ordinary	100.00
Eschenbach International GmbH[11]	Fürther Straße 252, 90429, Nuremberg, Germany	Holding company	Ordinary	100.00
Eschenbach UK Holdings Ltd[12]	27 Blackberry Lane, Halesowen¸ B63 4NX, UK	Holding company	Ordinary	100.00
International Eyewear Ltd[13]	27 Blackberry Lane, Halesowen¸ B63 4NX, UK	Eyeware trading	Ordinary	100.00

3. Investments continued

Subsidiaries	Registered office	Nature of business	Class of shares	% holding
TURA, Inc.[12]	123 Girton Drive, Muncy, USA	Eyeware trading	Ordinary	100.00
Eschenbach Optik A/S[11]	Boskærvej 18, Vejle, Denmark	Eyeware trading	Ordinary	100.00
Ruain Zuoyou Glasses Co Ltd[16]	Building 35, Shidai industrial zone, Mayu, Ruian, Zhejiang, P. R. China	Eyeware trading	Ordinary	25.00
BeeQuick Logistics Lda[18]	24 Praca Sa Da Bandeira, Santarem, Portugal	Logistics company	Ordinary	40.00

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
8 The shares are held by INSPECS Holdings Limited
9 The shares are held by Yardine Limited
10 The shares are held by Eschenbach Holding GmbH
11 The shares are held by Eschenbach Beteiligungs GmbH
12 The shares are held by Eschenbach International GmbH
13 The shares are held by Eschenbach UK Holdings Ltd
14 The shares are held by Eschenbach Optik GmbH
15 The shares are held by EGO Eyewear Limited
16 The shares are held by Zhongshan Torkai Optical Co Limited
17 The shares are held by EGO Eyewear AB
18 The shares are held by On Sight Services-Sociedade Unipessoa Lda

4. Right-of-use assets and leases

The Company has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. Leases of plant, machinery and motor vehicles generally have lease terms between three and five years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. The Company's right-of-use assets are as follows:

	Plant & machinery $'000	Motor vehicles $'000	Total $'000
COST			
At 1 January 2022	–	–	–
Additions	85	50	135
At 31 December 2022	85	50	135
DEPRECIATION			
At 1 January 2022	–	–	–
Charge for the year	8	3	11
At 31 December 2022	8	3	11
NET BOOK VALUE			
At 31 December 2022	77	47	124

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

4. Right-of-use assets and leases continued

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2022 $'000	2021 $'000
At 1 January	–	–
Additions	135	–
Interest charge	2	–
Payments	(12)	–
Exchange adjustment	–	–
As at 31 December	125	–
Current	36	–
Non-current	89	–

5. Trade and other debtors – falling due after more than one year

	2022 $'000	2021 $'000
Current:		
Amounts owed by Group undertakings	99,962	115,331
	99,962	115,331

Amounts owed by Group undertakings are unsecured, with no interest charged, and have no set repayment date. These amounts are not expected to be received within 12 months of the reporting period and have therefore been classified as falling due after more than one year. As the substance of the loan arrangement has not changed since 1 January 2022, the comparative figure has been re-presented as due after more than one year.

6. Trade and other debtors – falling due within one year

	2022 $'000	2021 $'000
Current:		
Prepayments	108	–
Amounts owed by Group undertakings	1,379	–
	1,487	–

Amounts owed by Group undertakings are unsecured, with no interest charged, and have no set repayment date. These amounts are expected to be received within 12 months of the reporting period and have therefore been classified as falling due within one year.

7. Cash and cash equivalents

	2022 $'000	2021 $'000
Cash at bank and in hand	44	–
	44	–

8. Called up share capital

Authorised and issued share capital:

Number	Class	Nominal value	2022 $'000	2021 $'000
101,671,525 (2021: 101,671,525)	Ordinary	£0.01	**1,389**	1,389

Each Ordinary Share carries the right to participate in distributions, as respects dividends and as respects capital on winding up.

9. Reserves

Share premium

This reserve records the amount above the nominal value of the sums received for shares issued, less transaction costs.

	2022 $'000	2021 $'000
At 1 January	**122,291**	121,940
Exercise of share options	**–**	351
At 31 December	**122,291**	122,291

Foreign currency translation reserve

With regards to the foreign currency translation reserve in the Company, this is in relation to translating the Parent Company's accounts into the presentation currency of USD.

	2022 $'000	2021 $'000
At 1 January	**(2,295)**	(157)
Other comprehensive loss	**(20,095)**	(2,138)
At 31 December	**(22,390)**	(2,295)

Share option reserve

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.

	2022 $'000	2021 $'000
At 1 January	**2,001**	867
Share-based payment charge	**1,729**	1,484
Share options cancelled	**(182)**	–
Exercise of share options	**–**	(437)
Deferred tax on share options	**–**	87
At 31 December	**3,548**	2,001

The share-based payment charge for the year is recognised against the reserve as per IFRS 2: Share-Based Payments. 150,000 share options have been cancelled during the period. Upon cancellation of share options, the remaining element of fair value of the option is expensed immediately through the income statement. The related share option reserve is then recycled into retained earnings, resulting in the movement of $182,000 from the share option reserve to retained earnings.

Retained earnings

	2022 $'000	2021 $'000
At 1 January	**61,411**	62,019
Loss for the year	**(1,326)**	(1,043)
Exercise of share options	**–**	435
Share options cancelled	**182**	–
Cash dividends	**(1,572)**	–
At 31 December	**58,695**	61,411

During the period, the final dividend in relation to 2021 was paid, amounting to 1.25 pence per share.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

9. Reserves continued

Merger reserve

This reserve arose on the share for share exchange between INSPECS Holdings Limited and INSPECS Group plc on 10 January 2020.

	2022 $'000	2021 $'000
At 1 January	**7,296**	7,296
At 31 December	**7,296**	7,296

10. Interest-bearing loans and borrowings

	2022 $'000	2021 $'000
Current:		
Lease liabilities	**36**	–
	36	–

	2022 $'000	2021 $'000
Non-current:		
Lease liabilities	**89**	–
	89	–

11. Trade and other creditors

	2022 $'000	2021 $'000
Current:		
Trade creditors	**262**	–
Other creditors	**7**	–
Social security and other taxes	**72**	–
Accruals	**150**	–
	491	–

The trade payables are non-interest-bearing and are normally settled on credit terms of 30-90 days.

12. Employees

	2022 $'000	2021 $'000
Wages and salaries	**903**	–
Social security costs	**667**	–
Pension costs	**82**	–
Share-based payment expense	**598**	–
	2,250	–

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

	2022	2021
	7	–

13. Guarantees

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 2021. Consequently, the Company has provided the statutory guarantee in relation to the subsidiary's liabilities. The third-party liabilities of the subsidiary as of 31 December 2021 amounted to $nil (2021: $1,000).

14. Post balance sheet events

Since the balance sheet date, but before these Financial Statements were approved, there were no events that the Directors consider material to the users of these Financial Statements.

APPENDIX 1

Comparative information in GBP

Consolidated Income Statement in GBP

for the year ended 31 December 2022

	2022 £'000	2021 £'000
Revenue	**200,957**	179,165
Cost of sales	**(102,097)**	(95,010)
Gross profit	**98,860**	84,155
Distribution costs	**(6,292)**	(5,667)
Administrative expenses	**(93,754)**	(77,371)
Operating (loss)/profit	**(1,186)**	1,117
Non-underlying costs	**(1,466)**	(1,881)
Exchange adjustment on borrowings	**(2,044)**	(3,938)
Finance costs	**(3,095)**	(2,017)
Finance income	**108**	86
Share of profit of associate	**19**	(7)
Loss before income tax	**(7,664)**	(6,640)
Income tax (credit)/charge	**1,345**	2,689
Loss for the year	**(6,319)**	(3,951)

Consolidated Statement of Financial Position in GBP

As at 31 December 2022

	2022 £'000	2021 £'000
ASSETS		
Non-current assets		
Goodwill	**55,578**	56,206
Intangible assets	**36,170**	40,298
Property, plant and equipment	**17,424**	18,182
Right-of-use assets	**19,683**	16,482
Investment in associates	**112**	36
Deferred tax assets	**7,007**	9,281
	135,974	140,485
Current assets		
Inventories	**48,158**	41,199
Trade and other receivables	**31,144**	31,242
Tax receivables	**3,681**	2,566
Cash and cash equivalents	**22,153**	22,024
	105,136	97,031
Assets held for sale	**832**	–
Total assets	**241,942**	237,516

APPENDIX 1 CONTINUED

Comparative information in GBP

Consolidated Statement of Financial Position in GBP continued

As at 31 December 2022

	2022 £'000	2021 £'000
EQUITY		
Shareholders' equity		
Called up share capital	**1,017**	1,017
Share premium	**89,508**	89,508
Foreign currency translation reserve	**9,434**	3,206
Share option reserve	**2,703**	1,454
Merger reserve	**5,340**	5,340
Retained earnings	**(461)**	6,931
Total equity	**107,541**	107,456

	2022 £'000	2021 £'000
LIABILITIES		
Non-current liabilities		
Financial liabilities – borrowings		
Interest-bearing loans and borrowings	**16,548**	51,210
Deferred consideration	**1,350**	2,300
Deferred tax liabilities	**9,548**	15,184
	27,446	68,694
Current liabilities		
Trade and other payables	**39,153**	39,459
Right of return liabilities	**10,613**	8,215
Financial liabilities – borrowings		
Interest-bearing loans and borrowings	**51,746**	9,835
Invoice discounting	**1,490**	1,800
Deferred consideration	**2,518**	–
Tax payable	**1,435**	2,057
	106,955	61,366
Total liabilities	**134,401**	130,060
Total equity and liabilities	**241,942**	237,516

APPENDIX 1 CONTINUED

Comparative information in GBP

Reconciliation of Adjusted Underlying EBITDA and Adjusted PBT in GBP

for the year ended 31 December 2022

	2022 £'000	2021 £'000
Revenue	**200,957**	179,165
Gross profit	**98,860**	84,155
Operating and distribution expenses, net of other operating income	**(100,046)**	(83,038)
Operating (loss)/profit	**(1,186)**	1,117
Add back: Amortisation and impairment on intangible assets	**6,893**	8,011
Add back: Depreciation	**6,744**	5,401
EBITDA	**12,451**	14,529
Add back: Share-based payment expense	**1,398**	1,079
Add back: Earnout on acquisition	**1,544**	–
Underlying EBITDA	**15,393**	15,608

	2022 £'000	2021 £'000
Underlying EBITDA	**15,393**	15,608
Add back: Purchase Price Allocation ('PPA') release on inventory through cost of sales	**132**	4,355
Add back: Underlying EBITDA (loss) for acquisitions in the period	**–**	66
Adjusted Underlying EBITDA	**15,525**	20,029
Less: Depreciation	**(6,744)**	(5,401)
Less: Interest (excluding amortisation of loan arrangement fees)	**(1,979)**	(1,649)
Adjusted Profit Before Tax (PBT)	**6,802**	12,979

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