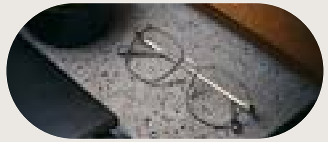
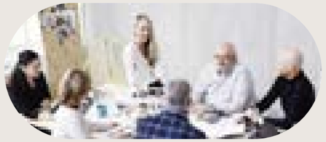
INSPECS
GROUP PLC

ALWAYS LOOKING FORWARD

INSPECS GROUP PLC

ANNUAL REPORT & ACCOUNTS 2023

WELCOME

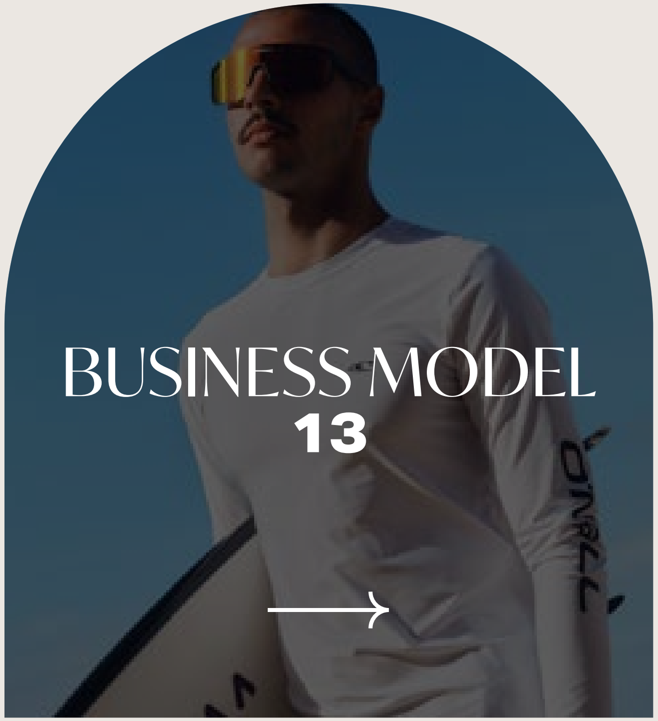
INSPECS IS A LEADING  PROVIDER OF EYEWEAR  SOLUTIONS TO THE GLOBAL  EYEWEAR MARKET

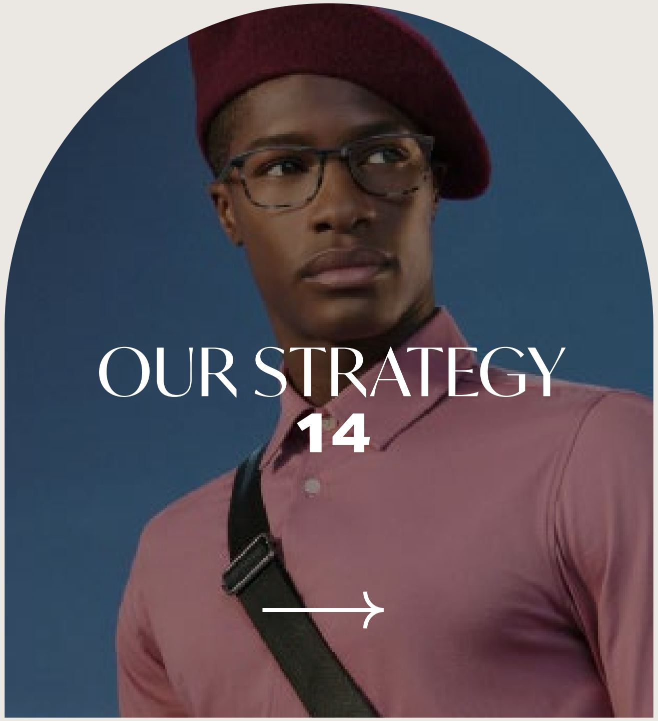
From the largest optical chains to individual consumers, we offer eyewear, lenses, combined packages and low vision optical aids

Front Cover Images:
Left: Botaniq sun
Middle: Titanflex,
Right: Humphrey's

Images on this page:
Left: Eschenbach team meeting
Middle: Botaniq Optical
Right: Titanflex

CONTENTS





COMPANY OVERVIEW

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

Left: O'Neill sun
Middle: Ted Baker
Right: Regen

HIGHLIGHTS

2023 has been a solid year for the Group, with improved operational performance, reduced debt levels and strong investment in growth opportunities for the future of the Group.

REVENUE

£203.3m

2023	£203.3M
2022	£201.0M
2021	£179.2M

GROSS PROFIT MARGIN

50.9%

2023	50.9%
2022	49.2%
2021	47.0%

EYEWEAR UNITS SOLD

11.0m

2023	11.0M
2022	10.7M
2021	10.4M

NET DEBT (EXCLUDING LEASE LIABILITIES)

£24.2m

2023	£24.2M
2022	£27.6M
2021	£24.2M

ADJUSTED UNDERLYING EBITDA

£18.0m

2023	£18.0M
2022	£15.5M
2021	£20.0M

LOSS AFTER TAX

£1.0m

2023	£1.0M
2022	£6.3M
2021	£4.0M

CASH FLOWS FROM OPERATING ACTIVITIES

£16.9m

2023	£16.9M
2022	£9.9M
2021	£18.2M

BASIC AND DILUTED LOSS PER SHARE

0.98p

2023	0.98P
2022	6.21P
2021	3.90P

Effective from 1 January 2023, the reporting currency of the Group was changed to GBP from USD to allow for greater transparency for investors and other stakeholders. Accordingly, comparative information is therefore also restated in GBP.

Please refer to page 112 for our definition of alternative performance measures.

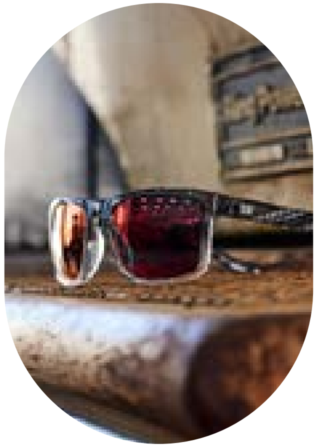
COMPANY OVERVIEW

DELIVERING VALUE, FRAMING SUCCESS

INSPECS IS A LEADING PROVIDER OF EYEWEAR SOLUTIONS AND LOW VISION AIDS TO THE GLOBAL EYEWEAR MARKET

OUR STRATEGIC AIM

To build a highly respected global eyewear company that delivers long-term value for our stakeholders



OUR MISSION

To deliver a global, high performing and vertically-integrated eyewear company that creates a dynamic platform for growth, ignites customer excitement and exceeds expectations through our commitment to product, innovation, people and planet

Left: Caterpillar
Right: Brendel

COMPANY OVERVIEW
WHO WE ARE

INSPECS is a leading provider of optical frames and lenses to the global eyewear market and one of the world's largest eyewear companies. With our portfolio of owned and licensed brands, along with low-vision aids, we supply most of the biggest eyewear retailers in the world. Vertically integrated, Inspecs provides a one-stop-shop, from design to frame and lens manufacturing, sales, marketing and distribution.

FRAMES AND OPTICS: DESIGN, BRANDS, SALES, MARKETING AND DISTRIBUTION

MANUFACTURING: FRAMES AND LENSES

OUR CORE VALUES

Customer focus: we will meet or exceed all of our customers needs, understand their challenges, provide solutions and strive for continuous improvement.

Engaging: we are committed to promoting collaboration, transparency, positive communication and teamwork to foster a supportive and inclusive work environment.

Community: engaging with local communities and contributing positively to social and economic development through our social responsibility initiatives.

Responsible: a responsible business leader, committed to a sustainable future, implementing impactful social and cultural initiatives, upholding best practice governance standards and health and safety practices.

Agile: being flexible and adaptable to customer needs and responding quickly to challenges and opportunities.

Innovative: evaluate new opportunities, with customers, new materials and technologies across the Group.

OUR COMPETITIVE EDGE

Balanced distribution: to strong key account and independent customer base that includes most of the biggest optical chains and independent eyewear retailers in the world.

Business-wide focus: on ground-breaking technological innovation.

Manufacturing capabilities: of frames and lenses.

28 licensed brands and 18 proprietary brands: including best-selling owned brands TITANFLEX and Humphrey's.

Worldwide distribution: to more than 75,000 points of sale.

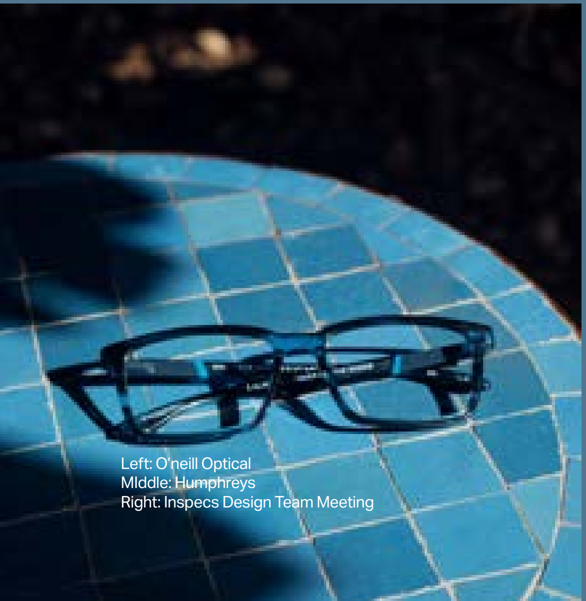
Market-leading: range of innovative and high-tech 'low vision aid' products.

Patented: intellectual property (IP).

Robust network: of talented employees.

Dedicated: research and development team.

STRATEGIC REPORT



Left: O'neill Optical
MIddle: Humphreys
Right: Inspecs Design Team Meeting

CHAIRMAN'S STATEMENT

GLOBAL EXCELLENCE

FRAME BY FRAME

It is with great pleasure that the Company presents its Annual Report and Accounts, reflecting on the journey of progress and achievement that our Company has embarked upon over the past year. There is no doubt that 2023 was a challenging year for the Group, which included a slowdown of sales in December. However, our commitment to excellence in operations, sustainability and social responsibility has been unwavering, driving us forward towards success.

ROBIN TOTTERMAN

CHAIRMAN'S STATEMENT
CONTINUED

DEAR STAKEHOLDER,

It is with great pleasure that the Company presents its Annual Report and Accounts, reflecting on the journey of progress and achievement that our Company has embarked upon over the past year. There is no doubt that 2023 was a challenging year for the Group, which included a slowdown of sales in December. However, our commitment to excellence in operations, sustainability and social responsibility has been unwavering, driving us forward towards success.

I am pleased that the construction of our state-of-the-art factory in Vietnam is on time and budget, which brings a significant opportunity to scale up the Group's manufacturing capability and allows us to develop further operational efficiencies within our supply chain, a testament to our commitment to innovation and sustainability. This facility not only enhances our operational efficiencies but also underscores our responsibility towards environmental stewardship through the integration of renewable technology.

Our teams have demonstrated remarkable resilience and ingenuity through the year, despite facing subdued retail demand in Europe, the loss of customers due to competitor acquisitions and undergoing transitions within our business. Whilst our revenue was only slightly ahead of 2022, I am proud that we have achieved a commendable 16% increase in Adjusted Underlying EBITDA and a 170-basis point increase in our gross profit margin through enhanced operational efficiencies; a testament to the collective dedication and hard work of our employees.

Moreover, our commitment to making a positive impact extends beyond the confines of our factory walls. Initiatives such as gifting essential PPE to hospitals in conflict ridden zones and ensuring access to clean drinking water for communities in which we operate highlight our dedication to global welfare and sustainability.

Through 2024, our focus remains on continuing to enhance operational effectiveness while driving revenue growth through synergistic collaborations. By fostering a cohesive organisational culture and streamlining our supply chain, we aim to unlock additional efficiencies and cost savings.

Our global presence and commitment to product excellence have been instrumental in driving our achievements. We have successfully expanded into new territories and launched innovative solutions, while upholding our environmental, social and governance responsibilities.

I am confident that we are well-positioned for continued success. By remaining focused on our strategic goals, operational efficiency, innovation, and customer satisfaction, we will drive sustainable growth and deliver long-term value to our shareholders.

I extend my gratitude to our employees, customers, partners, and shareholders for their continued support. Together, we will continue to make significant strides towards a brighter future for our Company and the communities and stakeholders we serve.

Thank you.

Robin Totterman

Executive Chairman
17 April 2024

ADJUSTED UNDERLYING EBITDA

£18.0m

(FY22: £15.5m).

GROSS PROFIT MARGIN

50.9%

(FY22: 49.2%).

CHIEF EXECUTIVE'S REVIEW

CLARITY REDEFINED

EFFICIENCY, INTEGRATION, STRATEGY

Having now completed my first full year as CEO I am proud to reflect on the achievements of the past year; improved Adjusted Underlying EBITDA and reduced costs, positive progress at Norville and a focus on innovation.

CHIEF EXECUTIVE'S REVIEW

CONTINUED

Having now completed my first full year as CEO I am proud to reflect on the achievements of the past year; improved Adjusted Underlying EBITDA and reduced costs, positive progress at Norville and a focus on innovation. While our performance has not met expectations, due to a slow down in sales at the end of the year, we have continued to focus on enhancing operational performance and group opportunities, steering our strategy in the right direction.

ADJUSTED UNDERLYING EBITDA MARGIN

8.9%

LOSS AFTER TAX

1.0m

GLOBAL PRESENCE AND PRODUCT EXCELLENCE

We are a global company, distributing to over 80 countries and producing high performing, award winning products to exceed our customers' expectations. Despite challenges faced in 2023, our dedicated teams have pursued opportunities, delivered synergies and profit optimisation initiatives to ensure the business operates efficiently and continues to deliver high performing products.

STRATEGY

The Board has set out its strategy for the future to ensure we maximise opportunities and drive pace throughout the Group. With the addition of our Vietnam manufacturing site, new products, innovative hinge solutions, progression with digital visual aids and Gaming eyewear we remain relevant, on trend and continue to evaluate new opportunities to drive growth.

Given the external challenges across the globe such as inflationary cost increases and subdued consumer confidence as the cost of living rose, I am encouraged by all that we have achieved. We have continued to reduce our net debt, despite the construction of our new Vietnam factory, and we successfully delivered operational efficiencies, leading to an increased Adjusted Underlying EBITDA margin of 8.9% and a reduced loss after tax of £1.0m.

GROUP PERFORMANCE

FRAMES AND OPTICS

Our Frames and Optics segment revenue grew by £5.4m in the year despite a reduction in sales to GrandVision retail stores around the globe, following its acquisition by Essilor Luxottica and subdued European retail demand.

The US market remained stable in 2023. Our strategy of introducing more Group brands into the US market has gained momentum, particularly O' Neill and Radley. We have moved forward with our plans to integrate Inspecs USA with Tura to streamline operations and maximise our potential sales opportunities. In the UK, Inspecs Ltd continues to focus on its existing chain business and looks to deliver further growth in the travel retail sector.

At Eschenbach, TITANFLEX has been designed and manufactured since 1988 with a focus on men's and children's collections. In 2023 the long awaited first women's collection was launched and a new revolutionary patented hinge which allows improved and sustained performance over the lifetime of the product. Eschenbach has continued its success from previous years by winning two Red Dot product design awards for Humphreys and the Mini eyewear collections which is a fantastic accolade for all involved.

Our Low Vision business, based in Europe and the US, has had a strong performance in 2023, delivering double digit growth of 12%. It has continued to invest in new technological advances in the low vision field, including a new digital magnifying aid. Our low vision aids provide poorly sighted people with the opportunity to enhance their ability to read and work, despite failing eyesight.

LENSES

I am pleased to report that our Lenses segment increased revenue by 18% and reduced its operating losses by £2.0m in the year to £(2.0)m.

Norville, has seen significant change over the last year. We have a new leadership team who have successfully focused on speed and quality. Promoting the 'Made in Britain' mark is key to the 2024 strategy and will add value within the independent channels along with the key chain accounts. Norville management also contributed significant engineering and technical help to the Group in 2023, including design and development of our smart eyewear range and specialist optical products for associated businesses, such as the dental market. Our Group and customers can now benefit from our efficient UK manufacturing site, and I look forward to further opportunities and growth in 2024.

MANUFACTURING

Our Manufacturing (formally Wholesale) segment had a disappointing performance in December 2023 which led to an overall reduction in revenue of £3.7m. This was due to lost sales following the Grand Vision/Essilor Luxottica merger and the change in purchasing cycles following the pandemic. We expect through the hard work of management in 2023 that the Manufacturing division will have a stronger performance in 2024 and current indications show good progress.

I am pleased to say that the construction of our new facility in Vietnam is completed and we are now preparing for initial production later in the year.

CHIEF EXECUTIVE'S REVIEW

CONTINUED

I would like to thank all of the team involved in the project that have delivered a world class manufacturing facility on time and budget. We are seeing significant interest from the optical industry as a result of the increased capacity and efficiency of manufacturing in Vietnam.

In February 2024 the Mido show took place in Milan. With over 40,000 attendees, it is a fantastic show for the Group to be part of. I am pleased to report that Killine received the Award for Certified Sustainable Eyewear with their 'Natura' products in the 'Frames - Rest of the World' category. Congratulations to the entire team for their dedication and hard work in developing this industry leading product.

OPPORTUNITIES AND DEVELOPMENT

The Board will continue to assess acquisition targets that will complement the Group's existing portfolio and further enhance its proposition to the market. On 22 January 2024, the Group acquired A-Optikk AS in Norway, and combining this with Eschenbach and Inspecs Scandinavia will increase our operations in the Nordic region.

Operating in a resilient market, we are confident that our business model and strategy will enable us to capitalise on growth opportunities. 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.

INNOVATION

Our focus on innovative research and development across the Group continues to evolve our business. We have focused on advancements in frames, lenses, hinges, visual aids and developing more sustainable solutions along with providing expertise to leading global technology firms.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our commitment to Environmental, Social, and Governance responsibilities is evident in our evolving ESG Roadmap. Our core vision of 'Always looking forward' is to build a better future, focusing on sustainability, community engagement, and employee wellbeing. Our TCFD analysis guides us in understanding and addressing our carbon footprint. Further details on our ESG framework and TCFD can be found on pages 42-62.

OUTLOOK

I am pleased with the performance of the business to date and, with the opportunities that are in place for 2024, this gives me confidence in the Group achieving market expectations for 2024.

As we look to the future, our focus remains on our six strategic pillars. I am confident that we are well positioned for the continued success of the Group. We are excited about the future and look forward to sharing more achievements in the coming year.

Richard Peck
Chief Executive
Officer

17 April 2024

Image: O'Neill

WELL POSITIONED FOR CONTINUED SUCCESS.

MARKET OVERVIEW

THE EYEWEAR MARKET: TRENDS, GROWTH, AND OPPORTUNITIES

INTRODUCTION

During 2023, the eyewear market continued to grow, driven by factors such as increasing awareness about the importance of eye care, rising prevalence of vision-related disorders, and changing fashion trends. Additionally, increasing screen time, especially amongst young people might cause more serious effects than previously thought, supporting the constant demand for preventative eye care.

MARKET SIZE AND GROWTH

According to recent market research (Statista), the global eyewear market is expected to be valued at $148.6 billion in 2024 and is projected to reach $174.1 billion by 2028, with a CAGR of 4.04% (2024-2028) during the forecast period. The average volume per person in the eyewear market is expected to be 1.3 pieces per person in 2024 with 85% of sales being attributed to the non-luxury market. On average, in 2024, every person worldwide is expected to generate a revenue of $19.17 in the eyewear market.

2024 EXPECTED MARKET VALUE

$148.6bn

2028 PROJECTED MARKET VALUE

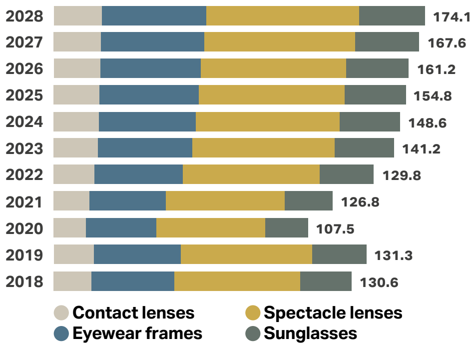
$174.1bn

SEGMENTATION

By product type

- **Spectacle lenses and eyewear frames:** accounted for the largest market share in 2023, with a value of $98.5 billion.
- **Contact lenses:** witnessed significant growth due to technological advancements and increasing preference for non-surgical vision correction methods.
- **Sunglasses:** continuously growing in popularity as a fashion accessory and increasing importance of UV protection contributing to substantial market growth.

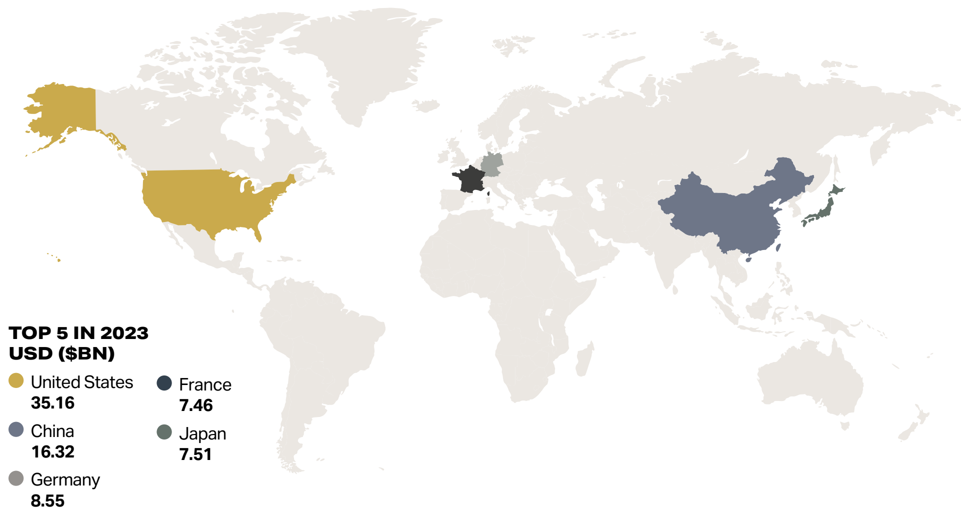
REVENUE BY SEGMENT ($BN)



(Source: Statista)

By Distribution Channel

- **Online stores:** experienced rapid growth, attributed to increasing e-commerce penetration and convenience of online shopping.
- **Offline stores:** traditional retail channels still dominate the market, providing personalised customer experiences and immediate product availability.



REGIONAL ANALYSIS

The top five markets in the world are the United States, China, Germany, France and Japan.

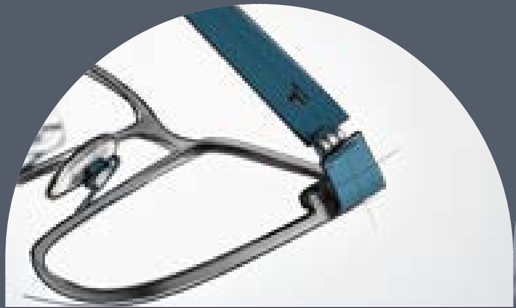
- **North America:** accounted for the largest regional market share in 2023, driven by high disposable income, growing awareness of eye health, and strong presence of key market players.
- **Europe:** witnessing significant growth due to increasing urbanisation, rising aging population, and changing consumer preferences towards premium eyewear products.
- **Asia Pacific:** expected to witness the fastest growth during the forecast period, fuelled by increasing population, urbanisation, and rising disposable income in countries like China and India.

KEY TRENDS AND FUTURE OUTLOOK

- Growing demand for blue-light-blocking glasses due to increased digital device usage and remote working trends.
- Rising popularity of sustainable eyewear materials.
- Integration of advanced technologies like augmented reality (AR) and virtual reality (VR) in the eyewear industry.

In conclusion, the eyewear market is experiencing steady growth worldwide, driven by various factors. As consumers increasingly prioritize eye health and fashion, the market is expected to expand further, providing ample growth opportunities for existing and new entrants.

OUR BUSINESS MODEL



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.

MANUFACTURE

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

MARKET

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

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.

DRIVERS OF SUCCESS

Design:

Talented employees

Dedicated Innovations team

Manufacture:

Manufacturing capabilities for lenses and frames

Market:

Blend of proprietary brands and licensed brands

Patented intellectual property (IP)

Range of 'low vision aid products'

Distribute:

Strong key account customer base

Strong independent customer base

GROWTH OPPORTUNITIES

Design:

Maximising Group resources and expertise

Innovations team developing innovative new eyewear channels such as gaming and specialist lenses

Manufacture:

Further expansion of our manufacturing capabilities

Market:

Travel retail markets around the globe, smart eyewear and gaming eyewear

Distribute:

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

Increased distribution in Asian Pacific markets

Titanflex Sketch

Norville Lens Factory

Brendel

Zumarock Optical

OUR STRATEGY

INSPECS' CONTINUED GROWTH CONFIRMS ITS POSITION AS ONE OF THE WORLD'S LEADING EYEWEAR COMPANIES

OUR MODEL IS BASED ON SIX STRATEGIC PILLARS ACHIEVING SUSTAINED AND BALANCED GROWTH FOR THE BENEFIT OF ALL STAKEHOLDERS

- VERTICAL INTEGRATION
- WORLDWIDE DISTRIBUTION
- INNOVATION
- GROWTH
- GLOBAL NETWORK
- FIT FOR THE FUTURE

OUR STRATEGY

CONTINUED

VERTICAL INTEGRATION

MAXIMISE OUR GROUP SYNERGIES, RESOURCES AND EXPERTISE

Group Procurement department created in 2023 and operational in 2024.

Targeted consolidation and optimisation of resources around the Group.

WORLDWIDE DISTRIBUTION

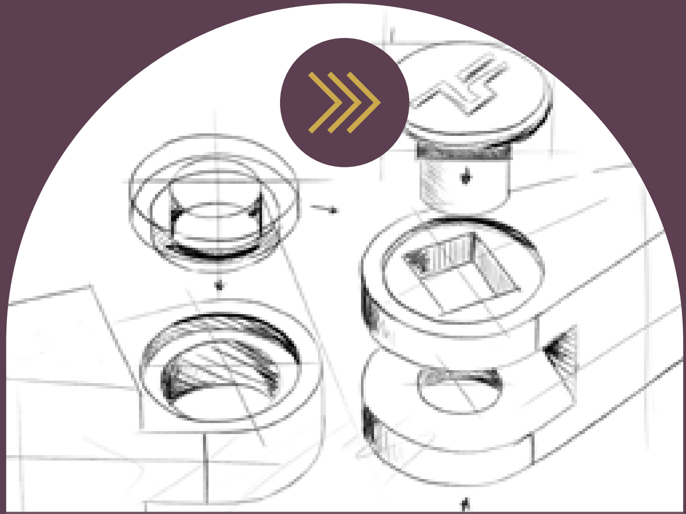
USE OF OUR WORLDWIDE DISTRIBUTION PLATFORM TO INCREASE GLOBAL REACH

International brand integration planned for 2024 and beyond.

Barbour successfully launched into a global retail chain.

Increase in distribution in Latin America and worldwide travel retail outlets.

Optimising the global reach of brands.



INNOVATION

INNOVATION AT THE FOREFRONT OF OUR APPROACH

Major global retailers and manufacturers engaged with our teams on innovative and market-leading eyewear development.

Strong growth in consultancy revenues during the year.

Gaming eyewear launch with unique lenses and innovative heat-dissipating materials.

Groundbreaking patented TITANFLEX Microtech hinge for maximum reliability and durability launched.

OUR STRATEGY

CONTINUED

GROWTH

PURSUE ALL AVENUES FOR GROWTH, INTERNALLY AND EXTERNALLY

Construction of our new Vietnam manufacturing facility, raising capacity from 7m to 12m frames annually.

New strategy at Norville drives strong growth and promotion of UK manufacturing with a renewed offering, talent pool and customer base.

Successful integration of brands into global key accounts.

Increased B2C growth via use of established online global retailers.

Increased sales of Eschenbach Optics with new product offering.

TITANFLEX, our market-leading eyewear brand, successfully launched its women's range to sit alongside children's and men's ranges.

GLOBAL NETWORK

STRATEGIC ACQUISITIONS

Acquisition of A-Optikk for increased operations in the Nordic regions and enhanced distribution capacity.

FIT FOR THE FUTURE

HIGH-PERFORMING, ON-TREND, INNOVATIVE PRODUCTS WITH A RESPONSIBLE FUTURE

Norville 'Made in Britain' with increased speed and quality to maximise localisation and maintain lens manufacturing in the UK.

Sustainable and biodegradable materials and products used to lower carbon footprint and help our customers choose more eco-friendly options.

Ongoing research and development of biodegradable packaging to be introduced with product offering.

KEY PERFORMANCE INDICATORS

Our business focuses on nine 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

£203.3m

+1%

2023	£203.3M
2022	£201.0M
2021	£179.2M

NET DEBT (EXCLUDING LEASE LIABILITIES)

£24.2m

-12%

2023	£24.2M
2022	£27.6M
2021	£24.2M

LOSS AFTER TAX

1.0m

-84%

2023	1.0M
2022	6.3M
2021	4.0M

ADJUSTED UNDERLYING EBITDA MARGIN

8.9%

+120 Basis points

2023	8.9%
2022	7.7%
2021	11.2%

ADJUSTED UNDERLYING EBITDA

£18.0m

+16%

2023	£18.0M
2022	£15.5M
2021	£20.0M

GROSS PROFIT MARGIN

50.9%

+170 Basis points

2023	50.9%
2022	49.2%
2021	47.0%

EYEWEAR UNITS SOLD

11.0m

+3%

2023	11.0M
2022	10.7M
2021	10.4M

ADJUSTED PBT DILUTED EPS

7.59p

+24%

2023	7.59P
2022	6.12P
2021	12.22P

NET CASH FROM OPERATING ACTIVITIES

£12.7m

+218%

2023	£12.7M
2022	£4.0M
2021	£14.6M

Please refer to page 112 for our definitions of alternative performance measures.

CHIEF FINANCIAL OFFICER'S REVIEW

IMPROVING PERFORMANCE

The Group increased its Adjusted Underlying EBITDA by 16% in the year. The Group has reduced its net debt by £3.4m whilst investing £3.0m in our new manufacturing facility in Vietnam and paying £2.2m in deferred and contingent acquisition costs.

CHIEF FINANCIAL OFFICER'S REVIEW
CONTINUED

Group sales for the year of £203.3m was an increase of 1% on previous year's sales of £201.0m.

Our continuing work to reduce non-operational costs, without affecting the ability of the Group to drive forward in the future, has led to a 16% increase in Adjusted Underlying EBITDA.

On a constant currency basis* our sales of £200.7m were broadly flat on previous years sales of £201.0m.

Reported profit before tax of £0.2m (FY22: Loss before tax £7.7m) is after incurring non-underlying costs £0.1m (FY22: £1.5m), exchange adjustments on borrowings £1.3m (FY22: £(2.0)m) and net finance costs of £3.9m (FY22: £3.0m).

Effective from 1 January 2023, the reporting currency of the Group was changed to GBP from USD to allow for greater transparency for investors and other stakeholders. Accordingly, comparative information is therefore also restated in GBP.

THE GROUP DELIVERED ADJUSTED UNDERLYING EBITDA OF

£18.0m

(FY22: £15.5m)

	FY23 £'000	FY22 £'000
REVENUE	**203,292**	200,957
Gross profit	**103,547**	98,860
Underlying operating expenses	**(85,508)**	(83,335)
ADJUSTED UNDERLYING EBITDA	**18,039**	15,525
Share based payment expense	**(972)**	(1,398)
Depreciation and amortisation	**(13,039)**	(13,637)
Earnout on acquisitions	**(1,140)**	(1,544)
Purchase price adjustment	**–**	(132)
OPERATING PROFIT/(LOSS) BEFORE NON-UNDERLYING COSTS	**2,888**	(1,186)
Reconciliation to reported results		
OPERATING PROFIT/(LOSS) BEFORE NON-UNDERLYING COSTS	**2,888**	(1,186)
Non-underlying costs	**(58)**	(1,466)
Exchange adjustments on borrowings	**1,312**	(2,044)
Share of (loss)/profit of associate and joint venture	**(12)**	19
Net finance costs	**(3,915)**	(2,987)
PROFIT/(LOSS) BEFORE TAX	**215**	(7,664)
Tax (charge)/credit	**(1,212)**	1,345
LOSS AFTER TAX	**(997)**	(6,319)

* 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.

CHIEF FINANCIAL OFFICER'S REVIEW
CONTINUED

REVENUE
Total revenue for the year was £203.3m, increasing by 1% from £201.0m in 2022. On a constant currency basis, revenue remained broadly flat, from £201.0m in 2022 to £200.7m in 2023.

GROSS PROFIT MARGIN
The Group's gross profit margin overall was 50.9% compared to 49.2% in 2022, an increase of 170 basis points. The Group has been able to achieve price increases on both new and existing products in specific markets around the globe and has continued to focus on supply chain efficiencies.

ADJUSTED UNDERLYING EBITDA
The Group considers Adjusted Underlying EBITDA as one of its key operating performance indicators. Our Adjusted Underlying EBITDA increased by £2.5m, from £15.5m to £18.0m, an increase of 16%. Adjusted Underlying EBITDA margin rose from 7.7% to 8.9% during the year reflecting our increase in gross profit margin and the Group's ability to controls its day-to-day operating expenses.

OPERATING EXPENSES
Operating expenses increased from £100.0m to £100.7m in 2023. The Group will continue to seek operational cost savings in 2024.

	Year Ended 31 December 2023 £'000	Year Ended 31 December 2022 £'000	Percentage change
Revenue	**203,292**	200,957	1%
Gross profit	**103,547**	98,860	5%
Distribution	**6,020**	6,292	-4%
Wages & salaries	**52,690**	49,760	6%
Administrative	**41,949**	43,994	-5%
TOTAL OPERATING EXPENSES	**100,659**	100,046	1%

The table below sets out our operating costs as a percentage of revenue.

	Year Ended 31 December 2023 £'000	**Percentage of revenue**	Year Ended 31 December 2022 £'000	Percentage of revenue
Revenue	**203,292**	**–**	200,957	–
Gross profit	**103,547**	**51%**	98,860	49%
Distribution	**6,020**	**3%**	6,292	3%
Wages & salaries	**52,690**	**26%**	49,760	25%
Administrative	**41,949**	**21%**	43,994	22%

CHIEF FINANCIAL OFFICER'S REVIEW

CONTINUED

PROFIT/(LOSS) BEFORE TAX

In 2023, the Group made a statutory profit before tax of £0.2m (FY22: loss £7.7m), an improvement of £7.9m. The Group made an Adjusted Underlying EBITDA of £18.0m (FY22: £15.5m).

	2023 £m	2022 £m
Adjusted Underlying EBITDA	**18.0**	15.5
Non-cash adjustments		
1. Depreciation and amortisation	**(13.0)**	(13.6)
2. Purchase Price Allocation ('PPA') release on inventory	**–**	(0.1)
3. Exchange adjustments on borrowings	**1.3**	(2.0)
4. Share based payment expense	**(1.0)**	(1.4)
5. Earnout on acquisitions	**(1.1)**	(1.5)
Sub-total	**4.2**	(3.1)
Non-underlying costs	**(0.1)**	(1.5)
Net finance costs	**(3.9)**	(3.1)
PROFIT/(LOSS) BEFORE TAX	**0.2**	(7.7)

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 from the capitalisation of customer relationships and order books on acquisitions.

	31 December 2023 £m	31 December 2022 £m
Depreciation	**6.1**	6.7
Amortisation	**6.9**	6.9
Total	**13.0**	13.6

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 an 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 £1.0m in 2023 (FY22: £1.4m). 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. The Remuneration and Nomination Committee is currently reviewing the option scheme, please see page 81 for further details.

CHIEF FINANCIAL OFFICER'S REVIEW
CONTINUED

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 2023, the amounts payable under the agreements amounted to £1.1m, and have been charged to the profit and loss account in accordance with IFRS 3. Further contingent consideration is expected to arise in 2024, and will be subject to the performance of those businesses.

Net Finance Costs
Bank loan interest increased by £1.6m primarily due to significant global rises in interest rates during 2023. 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. In 2023, the Group exercised its option to extend its finance facilities with HSBC until October 2025.

	2023 £m	2022 £m
Bank Loan Interest	**3.4**	1.8
Invoice Discounting	**0.1**	0.1
IFRS 16 lease interest	**0.5**	0.5
Interest Receivable	**(0.2)**	(0.1)
Net Finance Cost	**3.8**	2.3
Amortisation of loan transaction costs	**0.1**	0.7
Total net finance costs	**3.9**	3.0

Non-underlying costs
The Group incurred £0.1m of non-underlying costs in 2023 (2022: £1.5m). During the year the Group incurred restructuring costs of £0.1m which relates to the integration of Inspecs USA and Tura.

PRIOR YEAR ADJUSTMENT
Following a review in 2023 it has been determined that deferred tax assets and liabilities should be offset if criteria relating to their legal right and intention to offset are met. In prior years, deferred tax balances arising on the acquisition of subsidiaries have been presented gross and not netted against deferred tax assets within the jurisdictions to which they relate. The effect of this prior year adjustment as at 31 December 2022 is to reduce deferred tax assets by £5.2m and reduce deferred tax liabilities by £5.2m.

CASH FLOWS
During the year, the Group generated £12.7m in net cash flows from operating activities after tax and interest (2022: £4.0m). The Group has used the cash generated to continue to invest in new property, plant and equipment, and to enhance the Group's long-term growth strategy, resulting in an overall decrease in cash and cash equivalents of £2.1m. An analysis of how the Group has deployed its free cash flow in the year is set out below.

	31 December 2023 £'000	31 December 2022 £'000
Cash and cash equivalents at the beginning of year	**22,153**	22,024
Net cash from operating activities	**12,665**	4,002
Net cash used in investing activities	**(6,183)**	(3,447)
Net cash used in financing activities	**(8,835)**	(3,555)
Decrease in cash and cash equivalents	**(2,353)**	(3,000)
Foreign exchange movements in the year	**270**	3,129
Cash and cash equivalents including overdrafts at the year end	**20,070**	22,153
THE BREAKDOWN OF NET CASH USED IN INVESTING ACTIVITIES IS		
Purchase of intangible fixed assets	**(1,248)**	(861)
Purchase of property, plant and equipment	**(4,502)**	(2,639)
Cash paid in relation to deferred consideration	**(673)**	–
Purchase of shareholding in associate and joint venture	**-**	(55)
Interest received	**240**	108
Net cash used in investing activities	**(6,183)**	(3,447)

CHIEF FINANCIAL OFFICER'S REVIEW
CONTINUED

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.

Receivables by due date
The Group closely monitors its receivable due days to ensure that amounts overdue more than 30 days are kept to a minimum balance.

	Year ended 31 December 2023				Year ended 31 December 2022			
	Total	**Current**	**<30 days overdue**	**>30 days overdue**	Total	Current	<30 days overdue	>30 days overdue
Receivables (£m)	**24.2**	**15.2**	**3.2**	**5.8**	22.7	17.0	3.1	2.6
Percentage	**100**	**63**	**13**	**24**	100	75	14	11

Inventory
Our sales to inventory ratio increased from 4.2 to 5.0. The Group constantly monitors its working capital position, with a view to increase the sales to inventory ratio where possible.

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Turnover	**203.3**	201.0
Inventory	**40.9**	48.2
Sales to inventory ratio	**5.0**	4.2

Loan Reclassification
During the prior year, 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 resulted in the reclassification of the loan balance (£37.8m) to a current liability in line with IAS 1. Subsequently, the bank waived the cashflow cover and leverage covenants at 31 December 2022. As at 31 December 2023, the Group was compliant with all its covenants. The following ratios show a significant increase as a result of this reclassification.

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 2023 £m	Year ended 31 December 2022 £m
Current assets	**97.2**	105.1
Current liabilities	**65.9**	107.0
Ratio	**1.5**	1.0

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 2023 £m	Year ended 31 December 2022 £m
Current assets	**97.2**	105.1
Less inventory	**(40.9)**	(48.2)
	56.3	56.9
Current liabilities	**65.9**	107.0
Ratio	**0.9**	0.5

CHIEF FINANCIAL OFFICER'S REVIEW

CONTINUED

Net debt

The Group's opening net debt, including and excluding lease liabilities, is shown below. During the year the Group decreased its net debt excluding leases from £27.6m to £24.2m.

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

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Cash at bank	**20.1**	22.2
Borrowings	**(44.3)**	(49.8)
Lease liabilities	**(17.9)**	(20.0)
Net debt	**(42.1)**	(47.6)
Net debt (excluding lease liabilities)	**(24.2)**	(27.6)

FINANCING

The Group finances its operation through the following facilities. During the year the Group agreed to extend its facilities with HSBC to 24 October 2025. These facilities have a leverage ceiling of 2.25 (falling to 2.0 in October 2024), debt service cover of 1.05 (increasing to 1.20 in April 2025) and an interest cover of 3.0 (increasing to 4.0 in April 2025).

	Amount £m	Expires	**Drawn at 31 December 2023 £m**
Group revolving credit facility*	29.1	October 2025	**29.2**
Term loans	7.8	October 2025	**7.8**
Revolving credit facility USA	7.9	1-year rolling	**6.5**
Invoice discounting	3.0	1-year rolling	**0.9**
Total	47.8		**44.4**

*This facility is denominated in USD with a revaluation performed quarterly by the bank. Any drawdown in excess of the amount available is repaid during the following quarter.

LEVERAGE (USING DEBT TO EQUITY RATIO)

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

	2023	2022
Including leasing finance	**1.70**	2.24
Excluding leasing finance	**1.58**	2.07
Required ratio	**2.25**	2.25

The Group's leverage is constantly updated, and a rolling projection for 12 months is reviewed to ensure compliance with the Group's covenants.

EARNINGS PER SHARE

Year ended 31 December 2023	**Basic weighted average number of Ordinary Shares ('000)**	**Total (loss)/ earnings £'000**	**(Loss)/ earnings per share (pence)**
Basic loss per share	**101,672**	**(997)**	**(0.98)**
Diluted loss per share	**101,672**	**(997)**	**(0.98)**
Adjusted PBT basic EPS	**101,672**	**8,136**	**8.00**
Adjusted PBT diluted EPS	**107,246**	**8,136**	**7.59**

CHIEF FINANCIAL OFFICER'S REVIEW
CONTINUED

DIVIDEND
The Group does not intend to pay a dividend for the year ended 31 December 2023. A dividend of £1.3m 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 at least 30 June 2025. Details of this are given in the Directors' Report on pages 87 to 89. 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
17 April 2024

OUR BUSINESS SEGMENTS

Inspecs Group is comprised of three business segments:

FRAMES AND OPTICS

consisting of frame and low vision products

MANUFACTURING

that consists of frame manufacturing and

LENSES

that consists of optical lens production.

All our business segments contain their own specific design teams, which together with our direct and indirect sales teams and distributors allow us to reach over 75,000 optical and retail outlets spanning over 80 countries globally.

This year the Group factories supplied 4.9m frames, down from 5.3m in 2022, in our plants in Vietnam, China and Italy.

These were used for both our own propriety and licensed brands. Together with our trusted manufacturing third party suppliers, we sold 11.0m frames in 2023 up from 10.7m in 2022. We continue to invest in our Manufacturing business segment with our new 8000SQM facility in Vietnam which will raise capacity towards 12m frames by 2025.

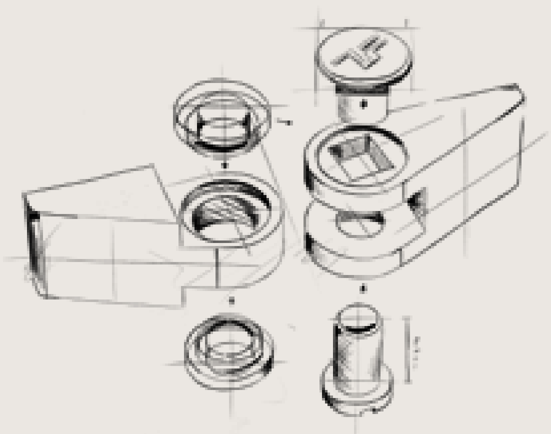
OUR BUSINESS SEGMENTS
CONTINUED

FRAMES AND OPTICS

Our Frames and Optics business segment is located across the globe and comprises of Eschenbach, Inspecs, BoDe, Ego Eyewear, Inspecs USA and Tura. During 2023, this business segment had combined sales of £179.0m, up from £173.5m in 2022.

Our low vision business in Europe and America performed strongly in 2023 and has continued to invest in new technological advances in the low optics field, allowing poorly sighted people to have the opportunity to enhance their ability to read and work, despite failing eyesight.

Our optical frame business performed well, despite subdued European demand and competitor acquisitions, by increasing its distribution and enhancing its product range.

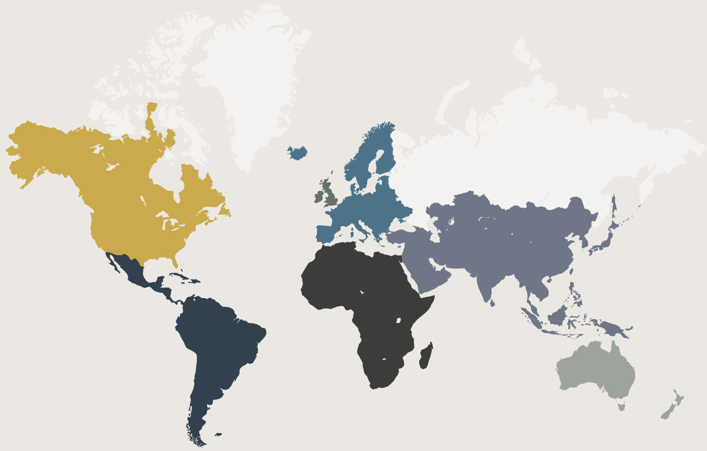


In Germany, our new hinge was well received by customers. This unique hinge allows years of operation without wear and tear. During the year the business won many awards at international trade shows.

We further enhanced our distribution in the Nordic region with the acquisition of A-Optikk AS at the start of 2024, a respected distributor of frames, sunglasses, and eyewear ancillary products in the Norwegian market which, together with our Swedish operations, will progress our distribution in that region. We secured major distribution of an existing brand into a global retailer for 2024 and continue our steady growth in the independent market.

FRAME AND OPTIC DEVELOPMENT TIMELINE

1988	Inspecs created
2009	Acquired Inspecs USA
2020	Acquired Eschenbach Group, including Eschenbach Optik
2021	Acquired BoDe
	Acquired Ego Eyewear
2024	Acquired A-Optikik AS



REVENUE SPLIT BY REGION FOR FRAMES AND OPTICS (£'000)

- Europe (excluding UK) **87,607**
- North America **62,791**
- United Kingdom **16,174**
- Asia **3,725**
- Australia **6,512**
- South America **1,662**
- Africa **497**

REVENUE
£179.0m
2022: £173.5m

NUMBER OF EMPLOYEES
669
2022: 669

OPERATING PROFIT
£5.1m
2022: £1.4m

ADJUSTED UNDERLYING EBITDA
£17.6m
2022: £14.8m

OUR BUSINESS SEGMENTS
CONTINUED

MANUFACTURING

FRAME MANUFACTURING

As part of our vertical integration strategy, we continue to invest in our own frame manufacturing business. This gives us an added advantage of being able to use, where appropriate, our own in-house teams, or subcontract to some of the world's best manufacturers. During the year the Group factories supplied 4.9m frames, a decrease of 0.4m frames from 2022. We have invested £3.0m in our new additional plant in Vietnam that will commence manufacturing in 2024. This brings technical capacity of the Group to 12m frames on an annual basis, but more importantly, increasing our ability to deliver at busy times.

Our main manufacturing plants are NEO Optical in Vietnam, Torkai Optical in China and Kudos in Italy.

2023 was, as planned, a development year for our Manufacturing segment. Whilst our revenue dropped by £3.7m this was due to lost sales to GrandVision/Luxottica merger and the change in purchasing cycles following the pandemic. In Italy, our sales grew from Kudos, and we look forward to increased trading in 2024.

MANUFACTURING TIMELINE

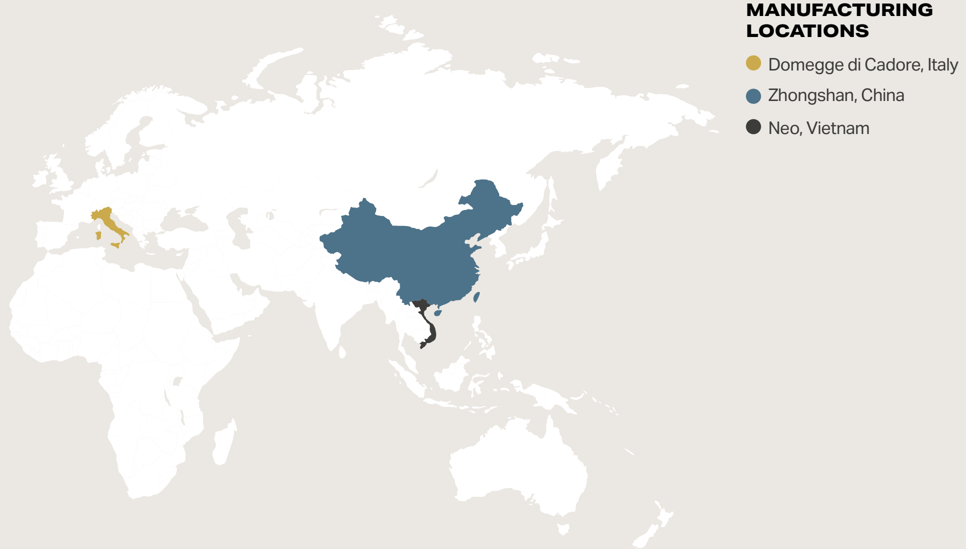
1994 — **Torkai Optical China factory completed**
- Metal and acetate frames
- 10,000 sqm

2016 — **Neo Optical Plant A completed**
- Injection molded and acetate frames
- 4000 sqm

2019 — **Neo Optical Plant B completed**
- Injection molded and acetate frames
- 4000 sqm

2021 — **Kudos factory completed**
- High end rolled gold frames
- 1500sqm

2024 — **Neo Optical plant C completed**
- Injection molded, acetate and metal frames.
- 8000 sqm



REVENUE
£20.2m
2022: £23.9m

NUMBER OF EMPLOYEES
928
2022: 961

OPERATING PROFIT
£4.0m
2022: £6.0m

ADJUSTED UNDERLYING EBITDA
£5.6m
2022: £8.1m

OUR BUSINESS SEGMENTS
CONTINUED

LENSES

LENS MANUFACTURING

Our new state of the art manufacturing plant is in Gloucester and despite difficulties following the move in 2021 from its old site at Magdala Road, has shown good improvement in 2023. Our production times and customer service are now at industry levels and as a result we have recorded good growth in 2023, with sales increasing from £3.5m to £4.2m.

The business has secured further distribution with key buying groups in the UK and has been instrumental in developing, with our R&D department, our new smart eyewear and direct to consumer gaming eyewear that launches in May 2024. We enter 2024 with increased confidence that our Lenses segment will continue its growth and are focusing on acquiring new customers.

REVENUE
£4.2m
2022: £3.5m

NUMBER OF EMPLOYEES
76
2022: 102

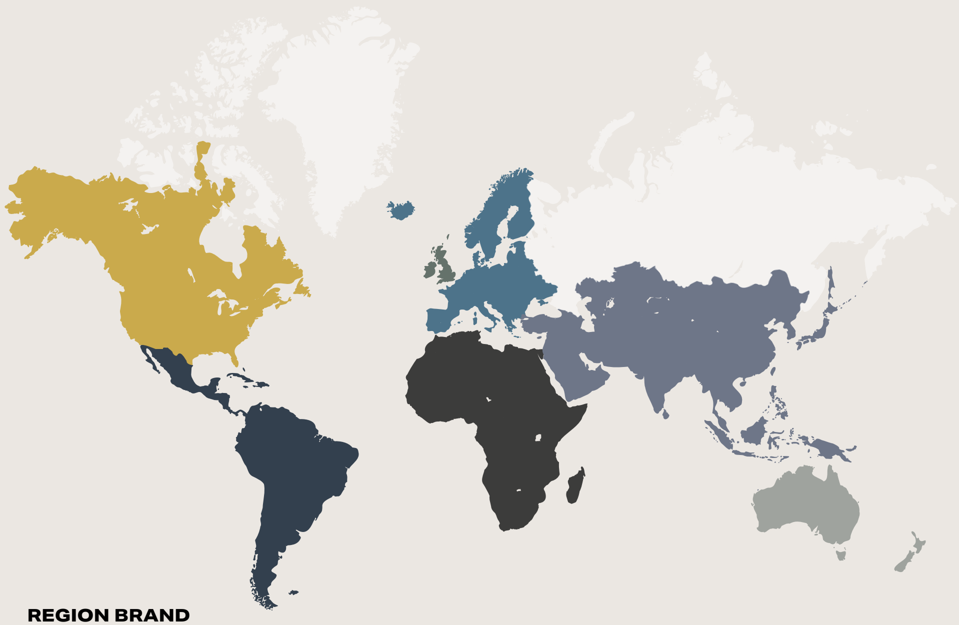
OPERATING LOSS
£2.0m
2022: £4.0m

ADJUSTED UNDERLYING EBITDA
£(1.4)m
2022: £(3.4)m

OUR BRANDS: GLOBAL FOOTPRINT

Our brands portfolio includes both proprietary and licensed brands. We target 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.

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.



REGION BRAND IS SOLD TO
- North America
- South America
- United Kingdom
- Europe
- Africa
- Asia
- Australia

TOP 10 BY SALES VALUE

BRAND	North America	South America	United Kingdom	Europe*	Africa	Asia	Australia
TITANFLEX Flexibler. Robuster. Leichter.	●	●	●	●	●	●	●
HUMPHREY'S eyewear	●	●	●	●	●	●	●
Marc O'Polo	○	●	●	●	●	●	○
TED BAKER LONDON	●	○	○	○	○	○	○
L.A.M.B.	●	●	●	○	○	○	○
極度乾燥(しなさい) Superdry®	●	●	●	●	●	●	●
O'NEILL	●	●	●	●	●	●	●
BRENDEL EYEWEAR	●	●	●	●	●	●	●
TURA	●	○	●	○	○	○	○
LULU GUINNESS LONDON	●	○	●	○	○	○	○

CASE STUDY - PROPRIETARY

TITANFLEX

MARKETING PENETRATION AND GLOBAL REACH

Eschenbach revolutionised the eyewear market in 1988 with the flexible, robust, light TITANFLEX. TITANFLEX stands for technology, design and perfect wearing comfort. TITANFLEX is light yet robust. This global brand has now been expanded to include a women's collection that continues this brand essence and further expands the brand's growth strategy.

COMFORT OPTIMISED BY TECHNICAL INNOVATION

TITANFLEX has so far focused on men and children. In 2023, we developed the first TITANFLEX Womens collection, with striking design highlights and full of technical innovations. We have created minimalist and charismatic, yet always clearly feminine models combined with the unique wearing comfort and long-lasting quality of each TITANFLEX style since 1988.

BRAND PROMISE AND SUSTAINABILITY

All TITANFLEX Women models are characterised by extremely high-quality surfaces and hinges. They are developed and produced according to TITANFLEX's demanding guidelines based on decades of experience. Each new model is extensively tested according to our strict guidelines before it finds its way to our customers.

The long service life of TITANFLEX spectacles due to their high quality and careful production in compliance with the latest environmental standards stands for sustainable, resource-saving consumption for the conscious consumer.

CUSTOMER ENGAGEMENT AND BRAND LOYALTY

Since its launch, the brand has won over the most discerning spectacle wearers and enjoys great appeal. It has almost become a generic term for all memory metal spectacles and promises constant progress. This is why Eschenbach engineers are continuously developing the technology. This means that our customers always have the best TITANFLEX on the market. Now, with the introduction of TITANFLEX for Women, our female customers do too. Our extensive marketing measures emphasise the desirability of our brand and create full authenticity in the many advertising channels.

FINANCIAL PERFORMANCE

We are pleased to report the continual growing performance of the TITANFLEX Eyewear Collection. The brand's continued positive performance highlights the success of its technical innovation, effective design and brand loyalty generated.

Sales (£'000)

2023	25,293
2022	24,208
2021	24,060

CASE STUDY - LICENSED

O'NEILL

The iconic O'Neill Eyewear range is now available across every subsidiary within the Inspecs Group. O'Neill Eyewear brings together surf-inspired design and cutting-edge eyewear technology seamlessly to create a dynamic collection.

From sleek urban streets to sandy shores, O'Neill's laid-back elegance and commitment to quality have found their way into every corner of the collection.

A fusion of fashion and function, where each pair tells a story of sun-soaked escapades and endless horizons. We are excited to celebrate the rollout of the O'Neill Eyewear Collection across the Inspecs Group.

MARKET PENETRATION AND GLOBAL REACH

In the last year, the O'Neill Eyewear Collection achieved excellent market penetration, resonating with consumers worldwide. Our strategic approach to expanding distribution channels has successfully brought the laid-back elegance of O'Neill to new markets, establishing a global presence that reflects the brand's spirit of adventure.

DESIGN INNOVATION & COLLABORATION

At the heart of O'Neill Eyewear's triumph lies a dedication to design excellence. Collaborations with visionary designers and continuous innovation have resulted in eyewear that seamlessly blends style and functionality. Each frame tells a unique story, capturing the essence of the O'Neill lifestyle and creating a connection with our diverse customer base.

SUSTAINABLE PRACTICES & CORPORATE RESPONSIBILITY

O'Neill's commitment to environmental sustainability and corporate responsibility is embedded in every facet of our operations. We are proud to report significant strides in implementing eco-friendly materials and processes in the manufacturing of our eyewear. Our sustainability initiatives align with O'Neill's ethos, reflecting our responsibility towards the planet and future generations.

CUSTOMER ENGAGEMENT AND BRAND LOYALTY

The success of O'Neill Eyewear is not merely measured in numbers but also in the loyalty and enthusiasm of our customers. Social media campaigns, experiential marketing, and community engagement initiatives have fostered a vibrant O'Neill Eyewear community. This deep connection with our customers is a testament to the brand's authenticity and the enduring appeal of the O'Neill lifestyle.

FINANCIAL PERFORMANCE

We are pleased to report robust financial performance for the O'Neill Eyewear Collection. The brand's positive contribution to our overall revenue reflects the effectiveness of our strategic planning, operational efficiency, and the resonance of O'Neill with the eyewear market.

Sales (£'000)

2023	8,290
2022	6,650
2021	4,520

LOOKING AHEAD

As we move forward, our commitment to elevating the O'Neill Eyewear experience remains unwavering. We anticipate further growth, fuelled by ongoing innovation, strategic partnerships, and a shared vision for a sustainable and stylish future.

INNOVATION

OUR INNOVATIONS TEAM HAS HAD AN EXCITING YEAR, LEADING IN CUTTING-EDGE ADVANCEMENTS IN MATERIALS AND TECHNOLOGY.

We consistently push boundaries, transform ideas into realities, and stay at the forefront of emerging trends. We understand the critical need to not only adapt to change but to pioneer it. By staying at the forefront of emerging technologies, trends, material creation and consumer insights, we distinguish ourselves from competitors and reinforce our position as a leader in the market. Collaborating with A-list companies, our skilled team identifies issues and delivers innovative solutions, fostering an environment of experimentation and creativity. We strive not only to enhance existing products and services, but also to uncover entirely new opportunities that diversify our offerings and broaden our Company's capabilities.

Our Innovations team continues to focus on five key categories:

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.

New material generation
Continued investigations to develop new polymers for the eyewear industry and new packaging solutions.

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

Lens technology
Utilising the knowledge and expertise at Norville to develop new products.

ESG support
Environmental, Social and Governance support regarding packaging and product solutions.

INNOVATION
CONTINUED

INNOVATIVE EYEWEAR COLLECTIONS

PACKAGING

We're pleased to share an update on our recent developments in packaging design. Our team has been hard at work exploring ways to enhance the packaging experience for our customers. Packaging design is a crucial aspect of both branding and consumer interaction, serving as the initial point of contact with our products.

Understanding the significance of this touchpoint, our Innovations team has invested considerable time in researching, designing, and testing prototypes.

The outcome of these efforts is a new water-soluble microplastic-free packaging solution that encompasses a re-sealable clear bag, temple sleeve, temple spacer and product label.

After thorough third-party testing, we're looking forward to introducing this innovation to the market in 2024.

NEW MATERIAL GENERATION

NEW MATERIALS

The Innovations team have also been working on a revolutionary sustainable material with the potential to reshape the eyewear industry globally. This cutting-edge innovation combines advanced technology and research, offering unparalleled physical properties and versatile applications. Our meticulously designed frames feature a unique compound without screws, non-toxic dyes, and recycled/recyclable lenses.

Our plastic imitation material is biodegradable in both soil and natural water, with a non-toxic lacquer to control the biodegradation process. This groundbreaking material promises enhanced performance, durability, and sustainability.

INNOVATION
CONTINUED

SMART EYEWEAR DEVELOPMENT

SMART EYEWEAR
The Innovations team are firmly rooted within the development teams of multiple organisations, continuing to work on a variety of pioneering concepts based around the smart frame origination combined with the integration of RX lenses.

This goes hand in hand with the creation and invention of multiple bespoke lenses, each with their own challenges and requiring complex solutions. We are working within the boundaries of existing technology, commercially available systems and concept technology.

The Innovations team are continuing to deliver commercial revenue working under contract for in-house development parties within this arena.

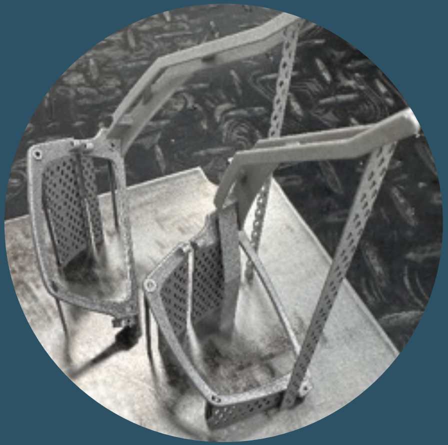
SMART GOGGLES
A further application of smart eyewear is in the form of smart goggles. Designed to enhance and optimize everyday experiences, this futuristic eyewear combines cutting-edge features with intuitive functionality. Catering to diverse interests, from the ardent sports enthusiast to the tech-savvy professional and those seeking enhanced daily efficiency, these cutting-edge devices epitomize our commitment to redefining the way individuals connect with the world. With built-in augmented reality capabilities, biometric sensors, and real-time data display, the Smart Technology Goggle seamlessly blends the physical and digital realms, opening a world of limitless possibilities. This strategic venture underscores our dedication to pioneering advancements that resonate with our global audience.

INNOVATIVE EYEWEAR COLLECTIONS

REGEN GAMING EYEWEAR RANGE
Combining frame and lens expertise and developments, a new range of eyewear specifically designed for gamers will be launched by Inspecs in Q2 2024. This range has been designed and produced to provide optimal visual comfort, protection and colour enhancement through state-of-the-art materials and high-tech manufacturing processes. The range also has a dedicated website and is our first brand to be offered directly to the customer online.

NEW MATERIAL GENERATION

NEW PRODUCTION METHODS AND PROCESSES
Our Innovations specialists have also been working on alternative prototyping methods and materials. Three-dimensional titanium printing offers us the opportunity to explore rigidity through eyewear without the need for complex molding. This revolutionary innovation leverages state-of-the-art materials and advanced manufacturing processes to improve efficiency and enhanced durability.

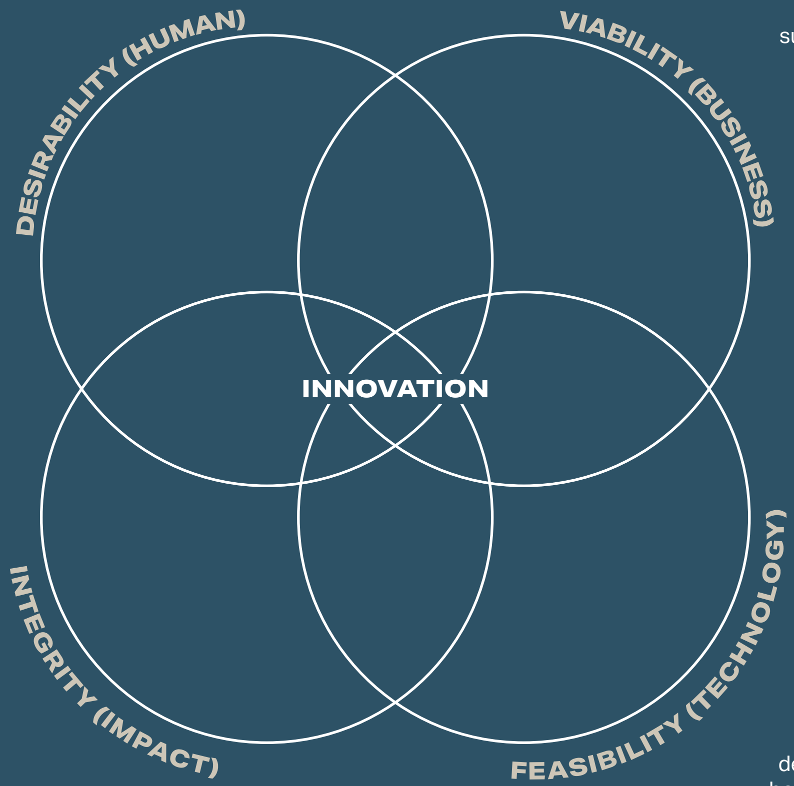


INNOVATION
CONTINUED

INNOVATION PROJECTS ARE EVALUATED EMPLOYING THESE FOUR MEASURES OF UNDERSTANDING:

Desirability
Are people waiting for/do people want 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?

COLLABORATION

Our Innovations team 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.

SECTION 172 STATEMENT

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 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, investors, 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. 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.

SECTION 172 STATEMENT
CONTINUED

STAKEHOLDERS CONSIDERED

OUR EMPLOYEES

Overview

The Board recognises that it is our people who ensure we fulfil our potential and execute our strategy. Over the course of 2023, the Board received regular updates on topics of interest from the Group's ESG and Risk Officer, CEO and CFO. Board members engage with employees across the Group and welcome open discussions.

What is important to them and how we engage

Training and career prospects:
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 and safety:
Individual entities review health and 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.

2023 Considerations

During the year the Board visited the Group's German subsidiary to meet with key employees, better understand their priorities and discuss the implementation of the Group strategy.

The Group has begun conducting focus groups across a number of countries, with a variety of employees, to open dialogue and feedback on a range of environmental, social, and governance topics.

The Group implemented a new employee code of conduct. This code more clearly established the rights of employees and the conduct in which they are expected to interact with each other.

OUR INVESTORS

Overview

The Chairman 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.

What is important to them and how we engage

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.

Communicate KPIs:
Quarterly revenue numbers and net debt levels 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.

2023 Considerations

The Executive Directors held three meetings with major shareholders during the year along with the annual general meeting in order to understand their priorities, consider their feedback and communicate our strategy.

Votes from shareholders at the AGM represented 76% of the share capital.

The Board held regular discussions with the Group's NOMAD and advisors to understand the wider market trends and sentiment to assist in the development and implementation of strategy.

SECTION 172 STATEMENT
CONTINUED

OUR CUSTOMERS

Overview

The Board recognises that strong relations with customers are key for the success of the business with their feedback allowing us to better understand their needs and maximise product design. The Board regularly receives operational updates, including customer metrics and feedback, from each of the businesses.

What is important to them and how we engage

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.

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 and packaging which have won multiple awards.

2023 Considerations

The Group has continued its success from previous years, winning two Red Dot product design awards for our eyewear models from our Humphrey's and Mini eyewear collections.

The Group is aware of the value our customers place on key licence brands and has completed a number of key renewals in 2023 to continue these relationships.

The Group has successfully launched a new TITANFLEX women's brand into our German market as well as increasing the penetration of our current brands across different areas of the Group to further increase our customer offering.

OUR SUPPLIERS

Overview

The Board understands that treating suppliers fairly and having strong relations with them allows us to improve our product standards whilst mitigating risks. The Group ensure they are partnering with ethical suppliers who take appropriate health and safety measures.

What is important to them and how we engage

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.
We collaborate with our licensed brands to design products which meet the visions of both partners.

Supplier engagement checks:
We monitor key suppliers to ensure compliance with modern slavery laws.

Collaborative Innovation:
Our Innovations team works collaboratively with a number of key suppliers to innovate and develop new products for both new and existing markets.

2023 Considerations

The Group held a number of meetings with key suppliers during 2023 to discuss the long-term partnerships and effective deliveries of high-quality products.

SECTION 172 STATEMENT
CONTINUED

OUR COMMUNITIES

Overview

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. The Board monitors the Group's engagement with its communities through the Environmental, Social and Governance Committee established in 2022.

What is important to them and how we engage

Ethical and responsibly managed business:
The Board ensures ethical and responsible management is implemented from the top through their ESG Committee and the Audit and Risk Committee.

Generation of employment opportunities:
The Group's continued expansion brings about employment and career opportunities for individuals in many local communities.

Protection of the local environment:
We continue to focus on environmental protection as we aim to reduce our emissions and our local environmental impact.

Community involvement:
The Group encourages our local businesses to explore opportunities to work directly with voluntary programmes in order to contribute back to the communities they are apart of.

2023 Considerations

We have partnered with Gravity Water to implement two water filtration units for local schools in Vietnam. Supporting communities around our new factory.

The Group was shortlisted for the UK King's Award for enterprise as evidence of our dedication to responsible international trade.

The ESG Committee has made good progress on their environmental strategies and TCFD reporting further detailed on pages 55 to 62.

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:

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

SECTION 172 STATEMENT
CONTINUED

Key decisions		Considerations
01 MANUFACTURING DECISIONS	The Board reviewed the forecast cash flow of the Group and investment case, deciding to proceed with the construction of the new Vietnam manufacturing facility during the year with scheduled completion in H1 2024. The Board also decided to cease the Group's Portugal expansion.	The Board considered the benefit to customers and investors of bringing additional frame manufacturing and quality control in-house. The Board also considered the impact on communities around the new facility.
02 COST CONTROL	The Board has reviewed an analysis of discretionary expenditure across the Group with the objective of controlling costs amid higher inflation levels.	Controlling costs of the business allowed us to control product prices for the benefit consumers whilst also ensuring the viability and long-term success of the business for investors and employees.
03 INTERNAL CONTROLS	The Board has established the role of Head of Internal Controls to monitor and review financial and operational controls across the Group. This individual reports to the Audit and Risk Committee.	The appointment of new Head of Internal Controls allows investors to place increasing confidence in the financial reporting and operational controls of the busines.
04 REFINANCING	The Board has reviewed the negotiations held by management with their principal lender to extend financing agreements and expand covenants to allow for additional investment in the future performance of the Group.	A strong financing position is important for all stakeholders in allowing a business to meet its short-term cash flow requirements as well as making the appropriate investments for the future of the business.

OUR RESPONSIBLE DIRECTION

Focusing on the social, ethical and environmental impact of our operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our Group vision of 'Always Looking Forward' is reflected throughout our Roadmap with a strong focus on addressing ESG issues that are material to the business. Our targets align with our responsible business direction and the development of our Group Responsible Sourcing Code and Product Hierarchy Principles will firmly cement the active consideration of sustainability, traceability, and transparency in our sourcing and procurement activities. With the dedication of our talented global teams, we believe we are well-placed to achieve our ESG targets before or by 2030.

As a responsible business, we are committed to achievable environmental goals, implementing impactful social and cultural initiatives, and upholding best practice governance standards. Our priorities are underpinned by our drive to bring positive change to our colleagues, customers, communities, and the planet. We measure and manage all areas of ESG across the Group, setting clear guidelines for our ESG Roadmap progress.

The Board's ESG Committee provides advice and assurance to the Executive team and the Board on all matters relating to ESG, as well as overseeing the delivery of our Roadmap. Further details of the ESG Committee can be found on pages 84 to 86.

We align with a number of external disclosure initiatives including the Global Reporting Initiative (GRI), the Task Force on Climate-related Financial Disclosure (TCFD), Streamlined Energy Carbon Reporting (SECR) Regulations, and the UN Sustainable Development Goals (SDGs). As a global company we are continually reviewing reporting standards required across the Group, which include the Corporate Sustainability Reporting Directive (CSRD), the interlinked European Sustainability Reporting Standards (ESRS) and the EU supply chain directive.

ESG ROADMAP

PEOPLE

As a global Group, we span many different cultures and communities. We foster a culture of equity and mutual respect where all employees feel valued, and their contributions recognised. Bringing in community engagement has inspired our teams to help others. Being part of a Group that participates in the community around us promotes a sense of purpose and wellbeing.

Our commitment

We will empower our global teams by providing the tools to help them grow and provide management with the skills to create a more inclusive company. We will ensure that there are no barriers to employment and progression by building skills for life. We will donate our products, expertise, and time to support our local communities. We are committed to creating a positive and transparent culture by engaging with our global teams on all areas of ESG.

Our target

– Provide 12,500 hours of skills training and mentorship at all levels of the business annually.
– Each of our major operations to engage with local community projects each year.
– Improve our engagement with our teams by facilitating focus groups biannually.

PLANET

As a responsible business, we will continue to review our climate impact and explore possible solutions to reduce our carbon footprint.

Our commitment

We will continue to collaborate with both internal and external partners on our emissions data to ensure we accurately calculate our carbon footprint and develop initiatives to reduce and offset our residual emissions.

Our target

– Operational footprint (scope 1 & 2) to be carbon neutral by 2030.

PRODUCT

Sustainable design, materials, and development projects to broaden our portfolio and increase our responsible product offering. We will continually consider the environment and drive responsibility into our processes to remain relevant with our existing customers, brand owners and the opportunity to expand into new markets.

Our commitment

We will develop and design material principles, and drive innovation, to increase our lower-carbon product offering. Our ranges will be reviewed to align our products with our vision and our customers' requirements.

Our target

– Material product hierarchy principles to be developed and distributed to our teams by 2030.
– 50% of our frame portfolio to have a lower carbon footprint by 2030.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

CONTINUED

ESG ROADMAP

PACKAGING

Packaging design and material innovations will increase sustainable options for our customers and brands whilst maximising our competitive edge with responsible product and packaging.

Our commitment

We will develop principles for packaging to ensure recyclable, reusable, or biodegradable packaging options are used. We will improve our packaging designs to reduce waste which will allow for a more responsible process.

Our target

- 100% of our product packaging to be recyclable, reusable, biodegradable or from bio-based sources by 2030.

PROCUREMENT

We will collaborate with key suppliers to integrate ESG best practices and align our supply chain with our responsible business vision.

Our commitment

We are committed to working with suppliers who adhere to social and environmental standards. We will engage with our suppliers on key ESG issues and encourage our first-tier suppliers to cascade responsible business practices throughout the supply chain. We will continue with 100% of our Tier 1 suppliers sharing information on their environmental and social impact with us via collaborative social audit platforms including SEDEX and Amfori BSCI.

Our target

- Group alignment of supplier agreements and contractual clauses related to ESG by 2030.
- Develop and implement a Group Responsible Sourcing Code by 2030.

WHAT WE HAVE ACHIEVED SO FAR

2020

- Commitment to SECR reporting
- Tree planting
- Energy efficiencies
- Electric cars
- University placements & opportunities

2021

As before plus

- Committed to GRI reporting
- Launched ESG platform to record data
- Renewable energy projects
- Green energy

2022

As before plus

- ESG Committee
- TCFD workshop
- Improve water management systems
- Community projects
- Anti-bribery and corruption review

2023

As before plus

- Group Code of Conduct issued
- TCFD reporting
- Recyclable packaging concepts
- Product carbon footprint analysis
- Business Continuity Plan review to include climate change
- Focus groups

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

CONTINUED

CASE STUDIES

WATER SOLUBLE BAG

During 2023, we crossed a new milestone on our path to developing more sustainable packaging solutions, by testing a new water-soluble polybag with the aim to reduce single-use plastics and diverting plastic waste from landfills. More information on the water-soluble packaging solution can be found on page 34.

SUSTAINABILITY AWARD - KILLINE

The MIDO CSE (Certified Sustainable Eyewear) Awards recognise exemplary efforts in sustainable eyewear globally. Killine is proud to be a 2024 winner of a CSE award in the category 'Frames Rest of the World' with their Natura acetate products. This range is made of bio-content from sources such as wood pulp. Killine is committed to innovation, excellence, and the creation of products that make a positive environmental impact without compromising on performance.

CASE STUDIES

FIRST CLIMATE

In 2022/3, our team in Germany embarked on a project with First Climate to calculate the carbon footprint of a sample selection of acetate and metal frames. As detailed in our Roadmap we are reviewing possibilities to lower the carbon footprint of our frame offering and this Scope 3 project will help us focus on the direction needed by using the data obtained to make decisions based on evidence.

FOCUS GROUPS

Along with each entity having core ESG representatives, we have added focus groups across the business in 2023 to enhance communication and further embed material ESG matters across our global business. In 2023, we conducted focus groups with our employees in the USA with Tura, and in Q1 of 2024 with Eschenbach in Germany, with more planned throughout the Group in 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ENVIRONMENTAL

OUR ESG BEST PRACTICE IS TO INTEGRATE SUSTAINABILITY, SO IT BECOMES A SEAMLESS CONSIDERATION IN ALL THAT WE DO.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE
ENVIRONMENTAL
CONTINUED

Our ESG framework is based on the core elements of the Global Reporting Initiative (GRI) and the emission data is recorded as per the Streamlined Energy and Carbon Reporting (SECR). In 2023, we expanded our reporting framework to include the Taskforce for Climate-Related Financial Disclosures (TCFD). Stakeholder expectations and regulatory requirements change at a fast pace which will impact our business strategy, energy transition plan, and carbon reduction interventions. We are confident that we can adapt and evolve our strategy accordingly and will continue to review the impact on our business operations.

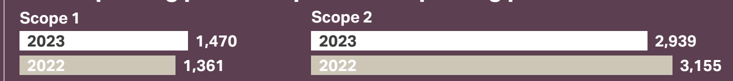
Streamlined Energy and Carbon Reporting (SECR) Greenhouse Gas emissions (tCO_2e) and Consumption (kWh) Totals:

Global GHG emissions data	Unit	2023	2022
SCOPE 1			
Combustion of fuel (stationary and mobile), process emissions and refrigerants	tCO_2e	**1,470**	1,361
SCOPE 2			
Electricity purchased and heat and steam generated for own use:			
Location based	tCO_2e	**2,939**	3,155
Market based	tCO_2e	**2,562**	2,812
SCOPE 3			
Business travel, water supply and treatment, transmission and distribution losses from purchased electricity, upstream leased assets	tCO_2e	**992**	728
Total GHG emissions – location based	tCO_2e	**5,401**	5,245
Total GHG emissions – market based	tCO_2e	**5,024**	4,902

The emissions stated are for our global operations that span the UK, Europe, United States of America and Asia. In compliance with SECR reporting, we also state our UK and offshore GHG emissions (location-based) and UK energy consumption. For 2023, our UK GHG emissions is 554 tCO_2e and our UK energy consumption is 1,943,147 kWh. Our global scope 1 and scope 3 emissions have increased compared to 2022, with improved travel data collection mechanisms driving this increase. We will regularly evaluate our internal travel policies to continue promoting less carbon-intensive ways of collaborating and challenge our global teams on the need, frequency, and mode of travel.

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.

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



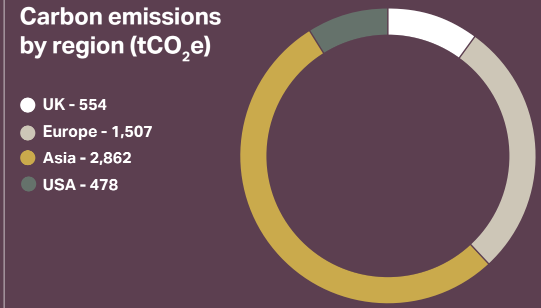
The total consumption (kWh) figures for energy supplies are as follows:

Utility and scope	2023 Consumption (kWh)	2022 Consumption (kWh)
Grid-supplied electricity (Scope 2)	**5,674,469**	6,160,806
Gaseous and other fuels (Scope 1)*	**1,070,092**	1,277,010
Fleet transportation (Scope 1)**	**5,398,451**	4,600,440
Business transportation (Scope 3)**	**361,647**	255,842
Leased assets (Scope 3)***	**1,582,378**	1,307,846
Total	**14,087,038**	13,601,944

* 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.

Emissions Intensity Ratio	2023	2022
Scope 1 and Scope 2		
Emissions per £1m turnover (tCO_2e)	**21.69**	22.47
Emissions per full time equivalent employees (tCO_2e)	**2.64**	2.59

Carbon emissions by region (tCO_2e)



ENVIRONMENTAL, SOCIAL AND GOVERNANCE
ENVIRONMENTAL
CONTINUED

METHODOLOGY

We have calculated our 2023 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. Where data was not available, electricity and water consumption were estimated using a kWh or cubic metre per full-time employee factor, <0.1% of total emissions reported is from estimated source data.

CARBON REDUCTION INTERVENTIONS

We measure the success of our carbon reduction interventions by measuring our global greenhouse gas emissions and comparing year-on-year trends to ascertain the effectiveness of the interventions implemented. Each of our entities are provided with their carbon footprint data for them to monitor and view their success. This data helps identify areas of concern so that we can review our strategy and put new measures in place to resolve.

Qualitative feedback received through focus groups, internal committees, and other communication channels enables us to capture the perceived impact of our carbon reduction interventions.

Our carbon reduction interventions include:

- Renewable energy tariffs where possible
- LED lighting installation
- Motion-controlled lighting at our German distribution centre
- Energy-efficient air conditioning and heating system at our US distribution centre
- UK electric/hybrid car fleet
- Electric charging points at three UK sites

Future carbon reduction interventions include:

- The installation of solar panels at our new Vietnam factory
- Responsible car fleet management
- Manufacturing energy usage review

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

SOCIAL

OUR COMMUNITY ENGAGEMENT AND EMPLOYEE INITIATIVES ENSURE PEOPLE ARE ALWAYS AT THE CENTRE OF OUR PLANS TOWARDS A MORE RESPONSIBLE BUSINESS.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE
SOCIAL
CONTINUED

COMMUNITY

Our role in the community is very important to us. Our effective partnerships with charities and non-profit organisations both in the UK and internationally focus on improving the health and wellbeing of people in our local communities and beyond. Across the Group we have embarked on various projects in 2023/24 to be able to continue giving a little back.

CASE STUDIES

NEO OPTICAL

Our factory in Vietnam collaborated with Gravity Water to install rainwater harvesting systems in a kindergarten and primary school near the factory. The rainwater system will provide the school children with a daily source of safe drinking water whilst conserving litres of groundwater and surface water. This partnership targets the challenges of clean water access and water scarcity throughout regions of Vietnam.

ESCHENBACH OPTIK OF AMERICA INC

Eschenbach Optik of America Inc gives back to the community through two main charitable causes. One is through the Blinded Veterans Association (BVA), for visually impaired veterans of all ages, and they offer two Angel Sponsorships that fund the travel and registration expenses for two members to attend the BVA's annual conference. The other major cause at Eschenbach Optik of America Inc is the Space Camp for Visually Impaired Students (SCIVIS), where they provide scholarships for two visually impaired students to attend this unique educational/ adventure camp where they build confidence and friendships with other visually impaired students.

A parent of a scholarship winner reflected upon how transformational the experience was for their child - "This sponsorship may be a fun week of camp for some, but when you pick the student, it's a dream and life changing."

INSPECS LTD

Our UK office has encouraged its employees to engage in community projects through impactful corporate volunteering opportunities. The team volunteered at a local sight loss event in Bath organised by Sight Support West of England.

TURA INC

The team at Tura, organised a food drive at their site in Pennsylvania, USA in December 2023. The food items collected were delivered to the local food bank to help tackle food poverty and to provide much needed support to people in their local community over the festive period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE
SOCIAL
CONTINUED

HEALTH & SAFETY
Maintaining a safe working environment with clear safety standards ensures that we take a consistent best-practice approach across our business. We continually track and monitor health and safety performance across our global sites. This enables us to identify any key safety risks throughout the year and develop plans to improve safety. Health and safety is discussed at each Board meeting and forms part of the standing Board agenda. For 2023, we had no significant incidents at any of our sites. We will develop further priorities not only based on safety performance but also on employee feedback and changes to law and industry standards.

FOCUS GROUPS
Our employee focus groups provide an opportunity for open dialogue and feedback on a range of environmental, social, and governance topics. Some of the areas discussed include:

The focus groups bring together colleagues from all business functions to accelerate greater inclusion, encourage knowledge sharing, and drive positive change. The insights and perspectives shared by our global employees will be invaluable in further developing wider company policies and initiatives.

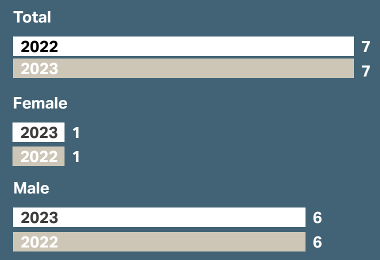
DIVERSITY, EQUITY AND INCLUSION
We recognise the benefits of diversity and strive for a representative and diverse workforce. Diversity of skills, knowledge, international and industry experience are amongst many other factors that we take into consideration when seeking to appoint new Directors to the Board, senior management, and employees around the Group. The Group has a diverse workforce, and the Board will continue to engage in discussion for a greater balance in gender and ethnic diversity within our senior management teams and beyond.

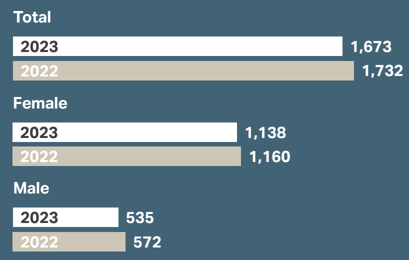
Our code of conduct ensures a united policy where everyone is treated fairly and with respect. We will continue to listen to our employees and respond to employee needs on an ongoing and real-time basis. Around the Group we have focus groups and social committees where representatives from each department are able to provide feedback and recommendations on the workplace culture as well as planning team building and social events.

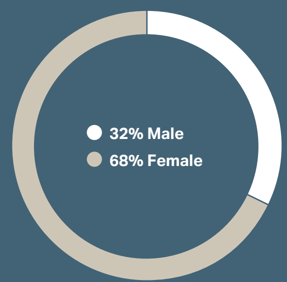
Our collaboration with universities is one of the ways we create a diverse pipeline of talent. Throughout 2023, we continued our collaborations with UK universities to provide tours of our Gloucester factory. The tours provide students with an enhanced understanding of lens manufacturing whilst enabling them to see our production processes in action.

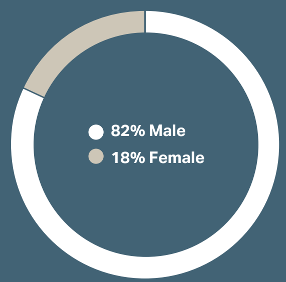
We are also committed to maximising opportunities for employees to develop skills that enable career progression in line with our ESG Roadmap and targets. We will continue to evaluate our wellness, learning, and enrichment programs, and other offerings as we seek to attract and develop diverse talent and foster a culture of inclusivity.

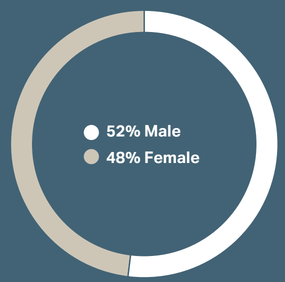
Employee gender balance 2023

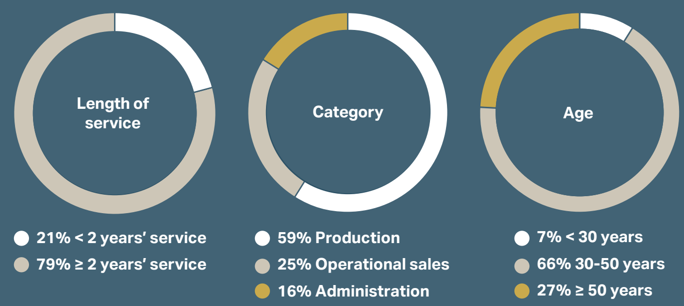
Board


Total employees


Employee diversity


Senior management


Management diversity 2023


Employee mix


Senior management is defined as any employee with the following job title; Director, President, Vice President, General Manager, Officer, or any employee considered to be a key strategic decision-maker within the business. Management is defined as any employee who reports directly to senior management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE
SOCIAL
CONTINUED

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGS)

We are proud that our ESG Roadmap and responsible business initiatives contribute to some of the UN's Sustainable Development Goals, including but not limited to:

SDG 3: PROMOTE HEALTH AND WELLBEING
Our partnerships and community initiatives with aid organisations, and charities such as Canadian Vision Care, Gravity Water, Vision Care for Homeless People, Sight Support West and The Conservation Volunteers.

SDG 8: DECENT WORK AND ECONOMIC GROWTH
University collaborations to provide young people with paid training and mentorship opportunities and improve access to the workplace.

PROUD TO CONTRIBUTE.

SDG 12: RESPONSIBLE CONSUMPTION
Development of a sustainable water-soluble packaging concept to remove single-use plastics from our packaging and reduce the amount of packaging waste to landfills.

SDG 13: CLIMATE ACTION
Renewable energy tariffs, LED lighting installation, UK electric/hybrid car fleet, car charging points, and offsetting projects.

SDG 15: LIFE ON LAND
UK tree planting initiative with Wanderlands and Ecologi. To date we have planted over 4800 trees in the UK.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ANGELA EMAN
GROUP ESG, COMPLIANCE
AND RISK OFFICER

GOVERNANCE

THE GROUP'S BOARD IS FULLY COMMITTED TO THE SUSTAINABLE GROWTH OF THE BUSINESS.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

GOVERNANCE

The Board consider the allocation of resource through to supporting responsible initiatives and understanding investment opportunities to future-proof our business. The CEO frequently attends the ESG Committee meetings and regularly takes ownership of actions required to move our plans forward. The CEO works closely with the Group ESG, Compliance and Risk Officer when developing the Group's future strategy to ensure we continually review our ESG commitment and objectives.

BUSINESS CONTINUITY PLANS

The Group ESG team has reviewed and assessed the Business Continuity Plans (BCP) throughout the Group. During the update process, we considered learnings from our management teams and past experiences such as responding to the COVID-19 pandemic. As part of our TCFD findings, we have considered the effect of climate change on our operations and have included this in our BCP where relevant.

ESG COMMITTEE

The Board is responsible for developing the direction of ESG within the Group and is guided by it's ESG Committee. The Committee continue to focus on:

- Approach, development, strategy, and implementation for ESG initiatives.
- Review reporting and governance performance and execution.
- Advise on appropriate, relevant, and effective policies and legislative requirements.
- Recommends projects and investments to the Board in line with the ESG Roadmap.

More details on the ESG Committee can be found on pages 84 to 86.

Throughout the Group we expect everyone to promote a culture of transparency and an environment where we all feel comfortable raising questions and reporting concerns. With the tools we have in place, such as the Group Code of Conduct, Confidential Whistleblowing line and focus groups, we continue to drive a positive culture pivoted around the ESG principles.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

Across our business from manufacturing through to distribution our global operations create greenhouse gas emissions which contribute to climate change. We are committed to being a more responsible business. We align our approach with the mandatory climate-related financial disclosures for private companies and LLPs under the Taskforce for Climate-related Financial Disclosures (TCFD) framework to ensure the resilience of our global business operations.

OUR TCFD PROGRESS SO FAR

2022	We completed our first TCFD workshop.
2022/23	Utilised external advice and the TCFD guidance to build our data.
2023	Developed and progressed our ESG Roadmap considering the TCFD principles. Reviewed our financial risk outlook in line with climate change. Engaged with our teams via focus groups to consider ways to improve and understand climate risks.

AS PART OF OUR TCFD AND ESG ROADMAP WE HAVE SET OUT THE FOLLOWING PLAN:

Continuous commitment to our ESG targets.	**Detailed on page 62**
Record and track our performance against Scope 1 & Scope 2 and part of Scope 3.	**Detailed on page 61**
Conduct scenario analysis.	**Detailed on page 60**
Record and track our climate related risks and opportunities.	**Detailed on pages 57 to 59**

GOVERNANCE

Board oversight of climate-related risks and opportunities

The Board's oversight of our climate-related risks and opportunities are communicated via the Committees as detailed below. Feedback from the Group ESG, Compliance and Risk Officer along with the Group's Financial Reporting Manager ensure the Board's full oversight of the TCFD work carried out. Having a straightforward structure around our ESG related activities allows us to respond quickly to emerging issues.

BOARD

- Oversight of all Committees.
- Committee minutes shared with the board after each meeting.

GROUP ESG, COMPLIANCE AND RISK OFFICER

- Executive report for all Group ESG matters.
- Board attendance to ensure full Board remain informed.
- Chair of TCFD Steering Group

REMUNERATION COMMITTEE

- Considers the ESG metrics and targets in relation to the Executive Directors variable pay or bonus structure.

AUDIT AND RISK COMMITTEE

- Reviews climate related risks and opportunities in-line with any impact on financial statements.

ESG COMMITTEE

- Regular meetings focusing on ESG goals, reporting data and responsible ESG activity.
- Make recommendations on all ESG matters to the Board.

ESG is on the standing agenda for all Board meetings.

Within the main Board meeting and committees, the Board and senior team will continue to:

- Monitor progress against climate-related goals and targets.
- Oversee the Groups ESG risks and opportunities.
- Continually review the materiality of climate-related risk and its impact on the financial statements.
- Monitor compliance with applicable ESG regulations.

The ESG committee is chaired by Angela Farrugia, Non-Executive Director and is joined by two Board members, Christopher Hancock and Hugo Adams along with Angela Eman, the Group ESG, Compliance and Risk Officer and Nick Youle the Head of Innovations.

Climate risks and opportunities are also considered by the Audit and Risk Committee and the impact on the financial statements is reviewed. Group CEO, Richard Peck, meets regularly with the ESG Committee to keep updated with activities discussed and matters arising. The ESG Committee updates the full Board and makes recommendations as appropriate.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT
CONTINUED

MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

The senior teams around the Group are responsible for the day-to-day managing of climate-related risks and opportunities and assist in the development and implementation of climate-related plans, policies, and procedures. The Group ESG, Compliance and Risk Officer is the Executive report for all ESG matters and is responsible for the development, execution, and monitoring of the ESG strategy, including any climate-related commitments and targets. The Group ESG, Compliance and Risk Officer attends the ESG Committee meetings and Board meetings to provide regular progress reports and to ensure the Board remains fully informed.

The TCFD Steering Group

The TCFD Steering Group was established in early 2024 and includes senior management representatives from Group Finance and ESG. The Committee will meet four times a year to discuss climate-related risks and opportunities such as emerging ESG legislation and ensure climate-related considerations are reviewed within financial planning. The Committee will work with each Group entity to identify key issues, develop internal processes to measure key metrics and targets, and strengthen climate-related financial risk integration. The TCFD Steering Group will report to the Audit and Risk (A&R) Committee.

Group ESG function

The Group ESG function is responsible for driving progress against the commitment/targets of the Group's ESG Roadmap which helps to mitigate climate risks. For more information on ESG activities, please see pages 42 to 54.

STRATEGY

Climate-related risks and opportunities Inspecs Group has identified over the short, medium and long term.

In 2022, the Group's senior management team reviewed the TCFD recommendations.
The team qualitatively assessed the potential impact that exposure to transitional and physical climate risks could have on the business and considered how various climate-related risks and opportunities may develop over time. The following timescales were determined appropriate for the business:

Short term – present day to 2025

Medium term – 2025 to 2030

Long term – 2030 to 2050

More information on our risk management process can be found on pages 63.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT
CONTINUED

The tables below capture the key climate-related risks and opportunities impacting our business, identified during our TCFD workshops and meetings as well as potential financial impact and mitigations.

TRANSITION

Risk type & category	Time horizon of potential materialisation	Identified risks	Identified opportunities	Strategic response	Potential financial impact
TRANSITION Policy & legal	Short/medium term	Increasing policies and regulations as governments take action to decarbonise could place new requirements on Inspecs Group Plc, such as enhanced emissions reporting, and carbon taxes.	Full compliance could lead to greater access to financial support due to the Group having higher ESG credentials.	We calculate our Group carbon emissions to monitor our carbon footprint and identify key emission hotspots. Compliance and regulatory resource requirements are regularly reviewed and budgeted for accordingly. Compliance and Governance representatives across the Group closely monitor the evolution of local ESG regulations and oversee initiatives to ensure compliance.	Potential increased administrative costs required to meet reporting requirements. Although we do not operate in a high carbon-intensive sector, we could be subject to carbon taxation in the future resulting in a direct cost and cash impact to the business. Our third party suppliers may also fall within the scope of higher carbon taxation, resulting in increased materials, energy, transportation and packaging costs.
TRANSITION Reputation	Medium term	As a global publicly listed company, Inspecs Group comes under increasing scrutiny from all its stakeholders in relation to ESG performance. Negative media or stakeholder perceptions could result in a loss of reputation.	Remaining agile and relevant as a business for climate solutions may improve reputation and financial performance.	To remain transparent, our ESG information, including GHG emissions, is made publicly available in our Annual Report and Accounts and on our company website. We have enhanced our ESG governance process with the formation of the ESG Committee of the Board. External assurance will be completed on our GHG emission data in the coming year to ensure accuracy.	Failure to meet stakeholder expectations could result in reduced revenue as a result of decreased customer engagement. Failure to meet investor needs could result in less investment and lower capital availability.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT
CONTINUED

TRANSITION CONTINUED

Risk type & category	Time horizon of potential materialisation	Identified risks	Identified opportunities	Strategic response	Potential financial impact
TRANSITION **Market - Consumer preferences**	Medium term	Our customers will increasingly consider the environmental impact of products when making a purchasing decision. If we do not enhance our product offering to meet changing consumer preferences, we may be exposed to declining demand for our products.	Responding to changing consumer preferences by offering products with a lower carbon footprint, we may benefit from increased revenue.	Ongoing focus on incorporating materials with a lower environmental footprint. With our Innovations team, we continue to develop sustainable material and packaging concepts to meet changing market trends. For further details on innovation, please see pages 33 to 36.	Failure to respond effectively to changing market trends could negatively impact the Group's revenue and profitability. Changes to our product portfolio could have an impact on gross margins achieved by the Group; however, the Group has a long history of responding effectively to consumer preferences while protecting margins. Suppliers may also need to respond to market trends and societal changes, resulting in an increase in the Company's base cost.
TRANSITION **Market - Energy costs**	Medium term	Due to increasing regulation on fossil-based energy sources and increased demand for renewable energy, total energy costs could increase for businesses.		We continue to focus on improving energy efficiencies and explore the feasibility of installing on-site renewable generation systems at our manufacturing and distribution sites.	Increased energy costs could reduce the profitability of the Group, to the extent that these cannot be passed on to customers. Improving the energy efficiency and increasing the use of renewable energy (both on-and off-site) of the Group will require capital investment.
TRANSITION **Technology**	Medium term	As low carbon technology is developed, such as new manufacturing techniques and advancements in eyewear technology, this could impact our competitiveness if our global operations do not invest or adopt these technologies.	The opportunities will be around adopting new technology and digital innovation in both our products and manufacturing techniques, to improve energy efficiency and reduce our manufacturing carbon footprint.	We will continue to horizon scan technological developments and assess operational feasibility.	Investment would be needed to adopt and deploy new practices and processes. Obsolete technologies may require impairment.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT
CONTINUED

PHYSICAL

Risk type & category	Time horizon	Identified risks	Identified opportunities	Strategic response	Potential financial impact
PHYSICAL **Acute weather event**	Medium term to long term	An acute event is driven by extreme weather, e.g., heatwaves, drought, water stress, storms, extreme rainfall, and flooding. These risks already occur today and the frequency and severity of extreme weather events are expected to increase. These events could result in property damage, site closures, production downtime and disruption to the distribution of our products. Extreme weather events could also impact our suppliers and key supply routes resulting in procurement and delivery delays.		Having multiple offices, warehouses and factories regionally dispersed across the globe avoids a 'single point of failure'. A diverse supply base and long-term strategic partnerships enable quick resolution of supply issues. To support the management of extreme weather events, we are continually developing business continuity procedures at each of our sites and we work with our insurance partners to ensure comprehensive insurance programmes are in place. We have remote working capabilities for our office sites. Many of our offices are leased, enabling us to move locations in the future should it be necessary. We will assess and monitor both acute and chronic physical risks across our key supplier operations and will consider switching to suppliers with a lower risk profile where necessary.	Revenue could decrease due to an inability to manufacture and distribute products as a result of site closures and supply route disruption. Commercial insurance premiums may increase as the frequency and magnitude of extreme weather events increase. Supplier costs and transportation costs may increase resulting in a higher company base cost.
PHYSICAL **Chronic, longer-term climate shift e.g., sustained higher temperatures, rising sea levels etc.**	Long term	Temperature extremes may increase at our sites resulting in increased energy requirements for heating and cooling. Due to increased use, the frequency of heating and cooling system, repairs and replacement are likely to increase. Employee productivity may decrease at sites without air conditioning due to heat stress. China and Vietnam are exposed to both coastal and river flooding. The flood risk outcomes up to 2030 are minimial, but by 2050 there is a distinct increase. Rising temperatures and sea levels could change the geographical spread of suppliers as they move away from high-risk areas.	Extreme temperatures could lead to increased consumer demand for UV protective products (sunglasses).	We continue investing in efficient heating and cooling systems as required. Our US distribution centre updated its heating and cooling system in 2023. We will monitor the risk presented by rising sea levels and climate shifts at our sites for long-term impact and respond accordingly.	We may need to source products from alternate suppliers located in areas with higher costs.
PHYSICAL **Chronic changes in precipitation resulting in high water stress where water demand exceeds the amount available.**	Long term	This could be a risk at our lens manufacturing site where our production processes use water and therefore could be disrupted. However, being located in Gloucester in the UK, our lens manufacturing site is considered to be at low risk exposure to water stress by 2050.		Our teams continue to explore cost-effective improvements in water management systems. For example, a wastewater filtration system has been installed at our UK lens manufacturing facility to reduce water consumption requirements.	Reduced production capacity would lead to a reduction in revenue for sales or products made within the business. The cost base of the business could increase as a result of increased third party production requirements. Increased requirements to retain and reuse water would require capital investment.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

CONTINUED

We recognise the requirement to consider the impact of climate change on the actual results of the business for the year ended 31 December 2023. It is considered that there has been no impact on asset valuations as a result of climate change during the year, with there being no indicators of impairment as a result of climate change. Additional costs have been incurred in relation to carbon offsetting and administrative costs such as for the audit of emissions data, however, these are not considered material to the business. Capital expenditure has been incurred in the current year in relation to an upgraded air conditioning system at Tura to efficiently manage fluctuating temperatures.

Scenario analysis

TCFD guidance recommends climate scenario analysis. For our first year of reporting on TCFD, our senior management team has participated in internally led workshops and reviews where qualitative scenario narratives were discussed to enhance strategic conversations about the impact climate change could have on the business now and in the future.

We considered the impact of a rise of less than 2°C in average global temperature by 2100. Under this scenario, transition risks such as stricter regulations relating to GHG emissions and shifts in consumer preferences are prevalent. We also considered the impact of a 4°C rise in average global temperature where physical risks such as drought, extreme weather patterns, and rising temperatures could affect our own operations and supply chain.

The workshop helped us recognise that a steady transition to a lower carbon economy under the 2°C temperature scenario could result in increased carbon taxation, increased administrative tasks associated with reporting and regulatory response, and reputational damage. We consider this to be a short-term to medium-term impact.

Under a 4°C scenario, physical risks such as increased natural disasters and rising temperatures could be significant and could lead to damage to our sites and infrastructure, decline in asset values, reduced productivity, and supply chain disruption. We considered this to be a medium-term to long-term impact.

We acknowledge that the transition to a low-carbon economy can also present a business opportunity for companies that are responding to the challenges of climate change and are able to benefit from shifts in market and consumer preferences.

Our current view is that transition risks and opportunities are particularly important in the short to medium term, whereas physical risks are increasingly important over longer time horizons, although extreme weather events could have a short to medium-term impact.

We will plan to further our assessments and analysis to include quantitative climate scenarios in the coming years as we develop our TCFD framework.

Impact of climate-related risks and opportunities on Inspecs Group's business, strategy, and financial planning

We have considered the transitional and physical risks and opportunities presented by climate change and this has allowed us to start building climate related issues into our strategy. Our TCFD review identified transition risks as more prevalent in the medium term, highlighting the continued importance of progressing our company ESG commitments and targets. During our 2023 review, we updated our Group ESG Roadmap to encompass new commitments and targets, particularly under our pillars of planet, product and packaging. These strategic commitments and targets focus on managing the risks and leveraging the opportunities presented by the transition to a low-carbon economy. Further information on our Group ESG Roadmap, commitments and targets can be found on pages 43 to 44.

We recognise the importance of ensuring any ESG commitments we make are underpinned by the inclusion of relevant costs/incomes within our budgets and financial forecasts. Climate-related issues are not currently a significant feature of budgeting for operating costs. There is potential for elements of our ESG Roadmap including new commitments and targets under the pillars of planet, product and packaging to result in incremental costs up to 2030. These targets are not expected to materially impact the cashflow forecasts of the Group, however this will continue to be monitored as our ESG Roadmap develops. The cost of ESG initiatives to date has not been materially significant and the cost of ongoing initiatives such as carbon offsetting projects are not expected to materially grow in future periods. Forecasts show sufficient headroom that the introduction of a carbon tax would not be expected to materially impact the recoverability of the associated investment/goodwill balance.

We consider the impact of inflationary pressures and global insurance factors on our insurance costs when budgeting. We recognise that over the medium to long term our insurance premiums are likely to reflect the impact of physical climate risks globally as insurers face increased insurance claims and costs. We will monitor this over the coming years and adjust our budget accordingly. We have qualitatively assessed climate-related risks and we believe that there are no material financial exposure or threats to the business up to 2030. There is still uncertainty over when transition risks will materialise, but stakeholder expectations and regulatory requirements could change at a fast pace. We will monitor long-term chronic physical risks that could impact our infrastructure and cause supply volatility and we will adapt mitigations accordingly.

Building climate resilience into our business strategy

We will ensure high level climate-related risks and opportunities over all time horizons are considered in business strategy development, enabling us to adapt accordingly to different climate-related scenarios without operational disruption. We look to further assess the potential financial implications of climate change on our global operations and ensure the integration of key risks and opportunities into the financial planning process to build greater business climate resilience.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

CONTINUED

Considering a 2°C scenario, where transition risks are prevalent, we have put mitigations in place and strengthened our strategy to include new quantifiable targets for product and packaging. Our strategic focus will enable us to respond effectively to risks, such as changes in consumer preference and legislative changes. Under the 4°C scenario, where physical risks are prevalent, we will continue to monitor and adapt our business strategy. We will include physical risks in our strategy development and future acquisition plans.

RISK MANAGEMENT

Our process for identifying, assessing, and managing climate risk

The Board's governance structure oversees and reviews the Group's risks and opportunities with the Audit and Risk (A&R) Committee responsible for overseeing the Group's financial reporting, risk management, and internal controls. Any risk with a material financial impact, including climate-related risks, will be reviewed with the A&R Committee and the Group's Risk Management Committee (GRMC).

The Group ESG and Finance team ensures that all climate-related risks and opportunities are reviewed in line with the financial planning process and considers the impact climate change could have on the Group's operations and overall financial performance.

The Group ESG Roadmap encompasses targets aimed at mitigating and adapting to climate change. The ESG Roadmap is considered by the management team and the appropriate costings, and any material financial impact are noted in the financial statements. The GRMC meets with the A&R Committee to review climate-related risks following local entity data from the Operational Risk Management Committee (OMC) which reviews specifically for their market and location.

Managing risk requires integrating a multidisciplinary, companywide risk identification, assessment, and management process. See page 63 for detailed information on the identification and assessment of principal risks, including climate risk.

METRICS AND TARGETS

Metrics used to monitor our climate-related physical and transition risks.

TCFD metric category	Metrics	Figures
TRANSITION – POLICY AND LEGAL INCLUDING CARBON TAXATION	Total GHG emissions by scope 1, 2 & 3 (business travel, upstream leased assets, transmission and distribution losses, and water) and emissions intensity ratios (Scope 1 & 2).	5,401 tCO_2e. Emissions per £1m turnover (tCO_2e): 21.69 Emissions per full time equivalent employees (tCO_2e): 2.64

We have considered climate-related metrics, and for our first TCFD reporting year, we have focused our metrics disclosure on our GHG emissions. More information on our GHG emissions and methodology can be found on pages 47 to 48.

The TCFD Steering Group will be working with our global teams to track the additional metrics throughout 2024 in preparation for our next TCFD report. We aim to report on product-linked metrics and packaging-linked metrics in future reports.

We do not currently use an internal carbon price, but we may consider investigating its potential application to our business in the future.

Integrating ESG metrics in remuneration

We do not currently incorporate ESG metrics in executive remuneration, however, the Remuneration and Nomination Committee will consider linking executive remuneration to performance against ESG objectives and efforts to address climate change in the future.

Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions and the related risks

Scope 1 and Scope 2 emissions footprint for 2023 equaled 4,409 tCO_2e. For a more detailed breakdown of our global GHG emissions, scope, boundaries and methodology, please see our Streamlined Energy and Carbon Reporting Disclosure on pages 47 to 48.

GHG emissions are a key driver of temperature increases leading to the risks identified in our physical risks and opportunities table. As a Group, we have set a target of our operations being carbon neutral by 2030. Whilst our primary focus remains on reducing the carbon emissions associated with our operations through our carbon reduction interventions, we recognise the important role offsetting will play in our transition to becoming carbon neutral by 2030. Uncertainties arising from future climate policies, the evolving landscape of green technologies, and the speed at which countries such as China move away from a high-carbon-intensive electricity generation mix may pose challenges in reducing our global carbon footprint by 2030. Therefore, to achieve our carbon neutral position by 2030 we will support high-quality carbon offsetting projects through our partners such as Ecologi to compensate for any calculated carbon emissions we have not eliminated through our reduction efforts.

Like many businesses, scope 3 emissions will contribute to the majority of our global carbon footprint. Over the coming years, we will be working with our global teams to determine the most appropriate method for tracking further scope 3 emissions data to ensure transparency, auditability, and traceability. We will explore data capture methodologies and encourage our suppliers to develop their own GHG inventories to enable the efficient capture and monitoring of indirect emissions that occur throughout the supply chain and among third-party vendors used by our global Group.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT
CONTINUED

Climate-related targets

As detailed on pages 43 and 44 of our ESG section, we have developed and progressed our ESG Roadmap, primarily committing to the targets relating to reducing our impact on the planet and preparing the business for the shift to a lower carbon economy

Targets used to manage climate-related risks and opportunities, and key performance indicators to measure progress against these targets.

Target	KPIs to monitor progress	Progress	Future plans	Linkage to climate risk/opportunity
OPERATIONAL FOOTPRINT (SCOPE 1 & 2) TO BE CARBON NEUTRAL BY 2030	Annual Group GHG emissions (tonnes CO_2e) compared to the 2023 baseline.	We have implemented several carbon interventions to date to reduce our scope 2 emissions including procuring renewable energy at many of our office sites and our UK manufacturing site, installing LED lighting, and upgrading the heating and air conditioning system at our US distribution centre. To reduce our scope 1 emissions, we changed our UK car fleet from internal combustion engines to EVs. The changeover of our UK car fleet has been completed. With the measures we have implemented to date, our scope to further reduce our scope 1 and scope 2 emissions is more limited, and therefore we will use high-quality offsetting schemes to help offset our scope 1 and scope 2 emissions.	Work has started to changeover our German car fleet from internal combustion engines to EVs where possible. We are considering the installation of solar panels at our new manufacturing site in Vietnam. Continue with energy efficiency measures.	Impact of Carbon pricing mechanisms and energy costs on the business.
50% OF OUR FRAME PORTFOLIO TO HAVE A LOWER CARBON FOOTPRINT* BY 2030	The percentage of frames that meet the lower carbon criteria.	This is a new target for 2024. Progress will be tracked over the coming years and reported annually.	Product carbon footprint analysis to be conducted over the coming years. The development of our Group Product Hierarchy Principles.	Impact of market and consumer preferences.
100% OF OUR PACKAGING TO BE RECYCLABLE, REUSABLE, BIODEGRADABLE OR FROM BIO-BASED SOURCES BY 2030	The percentage of our product packaging that is recyclable, reusable, biodegradable, or from bio-sources.	This is a new target for 2024. Progress will be tracked over the coming years and reported annually.	Our Innovations team to continue the development of new recyclable, reusable, or biodegradable packaging designs and material concepts.	Policy and legal, and impact of market and consumer preferences.

** Lower carbon footprint frames are those made with materials and processes that are less carbon intensive compared to their conventional alternatives. We will employ strategies including using lower impact materials in our frames such as Bio-Acetate, Recycled Acetate, Acetate Renew and other alternatives. Our approach will be guided by product carbon footprint analysis to help us prioritise materials with lower climate impact.*

We will monitor performance against our climate-related commitments and targets and report progress against these targets in our next TCFD report.

SUMMARY

The process of preparing the research and analysis for the TCFD report enabled us to reflect on our climate governance and ensured we considered our climate strategy and risk. The TCFD process has helped us recognise our achievements and where we need to focus our efforts for the future.

RISK MANAGEMENT

THE BOARD HAS OVERALL RESPONSIBILITY FOR RISK MANAGEMENT

Our effective risk management framework ensures we have a structured approach to the delivery of our strategic objectives for our long-term growth and shareholder value. With increasing complex global economic, geopolitical, and environmental challenges our risk framework looks to address this changing landscape and provide mitigation solutions.

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 Risk Committee is made up of three Non-Executive Directors, Christopher Hancock (Chair), Shaun Smith, Hugo Adams. The Chief Treasury Officer and Group ESG, Compliance and Risk Officer complete the Committee.

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 as appropriate.

We continually look to improve our risk management process to ensure the quality of our risk review and our ability to respond quickly to changes and direct risks. As part of our risk process the Audit and Risk Committee and the OMCs are responsible for keeping up to date with regulatory changes. Each entity is accountable for identifying, evaluating, and managing their risks. To maximise the Group's effectiveness, we have introduced a Head of Internal Controls to analyse the Group's financial reporting processes and report to the GRMC and the Audit and Risk Committee with all findings. With this in place we have removed Integrity of cash from the Annual Report 2023 principal risks. With no acquisitions in 2023 we have removed this as a principal risk.

We have also removed underperforming entities as a risk due to the positive management changes in some subsidiary companies. Despite these events not showing as a principal risk in the Annual Report 2023, we continue to monitor them in our internal report. Our internal risk framework covers production, sales, environmental and social risks, governance, finance, IT, economic and political issues.

We have detailed below the principal risks that the Group is exposed to. The risks detailed may have a material impact on the Group operationally and/or financially. The Group has also identified the risks within Climate, People, Competitor and Cyber that are key to our successful risk control and have been highlighted from our internal framework as having the potential greatest current or near-term impact on us operationally.

RISK MANAGEMENT
CONTINUED

Group risk event	Context and potential impact	Mitigation	Residual risk
CLIMATE	With Global sites, operationally and manufacturing, we are exposed to external factors such as natural disaster. Increased transitional and physical risks around the globe are leading to increased rainfall, floods, heatwaves, storms, and wildfires which could potentially affect our sites and supply chains.	Climate issues will continue to be kept under review as part of our risk management processes and TCFD framework. Our diversification of suppliers means that we can respond quickly to limit the impact should a climate event occur. The Group continually reviews ways to reduce our carbon footprint. Further information on material climate-related risk mitigation can be found under the TCFD framework on pages 57 to 59.	↑
COMPETITOR RISK	With potential to negatively impact our business we would see a reduction in market share, which could cause a reduction in revenue and EBITDA due to loss of key customers and access to key distribution channels.	The Group has a vertically integrated business model from design, to frame, low vision aids and lens manufacturing, sales, marketing, and distribution. The Group also has a large diversification of customers and is not reliant on any one revenue stream. We continue to provide a strong offering of products, new innovations, licensed and proprietary brands. With existing strong customer relationships, we continue to understand the demands and needs of our customers to remain relevant and engaging.	–
MACROECONOMIC RISK	Increasing inflation and/or interest rates, adverse movements in exchange rates could give rise to negative financial exposure. Economic forces may lead to reduced customer demand. Foreign exchange fluctuations could increase costs and increase the debt position. These may lead to the Group having insufficient liquidity and not being able to meet our obligations as they fall due.	The Group constantly monitors and forecasts cashflow and trades in multiple currencies thereby offsetting some of the effects of movement in currency. Bank covenant tests are monitored by the Board monthly and reported to the bank on a quarterly basis. The Group maintains multiple regional supply chains alongside established multi-channel revenue streams. We offer product from the value end through to the high end in optical, sunglasses and the low vision aid markets to minimise our risk of reduced customer demand.	–
CYBER RISK	Harm could be brought to the Group via an unauthorised access, corruption, or destruction of data and/or ransomware causing inability to access systems or 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 held in all our Group entities and investment has been made into new technologies, particularly AI based solutions which has increased our security responses and efficiency. Multiple cyber security accreditations are ongoing and all employees in our office sites receive regular security awareness training and testing.	–

Residual risk movement (remaining risk after mitigations) within the year:

↑ Increasing ↓ Decreasing – Stable

RISK MANAGEMENT
CONTINUED

Group risk event	Context and potential impact	Mitigation	Residual risk
SOCIAL & PEOPLE	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. The focus groups continue to provide an opportunity for a greater voice to grow ideas, engage employees and ensure our recruitment and strategies maintain a fair and equal workplace.	Stable
SOCIAL & PEOPLE	Risk of non-compliance with Human Resources and health and safety regulations and reporting requirements could cause failure to our site's standards. This could endanger the wellbeing and safety of our employees. Breaches of regulations could lead to a negative working environment and potential grievance if the correct controls are not in place.	There have been no serious incidents relating to health and safety in the Group, however it remains a principal risk because the safety of our employees is paramount to the company. ESG, including health and safety, is on the standing agenda for each board meeting and is closely monitored. Each subsidiary reports to the Group ESG Compliance and Risk Officer, and they have Human Resources and health and safety operating procedures ensuring employee training and compliance. Regular external health and safety, Government and social regulation audits are conducted to ensure compliance with all regulations.	Stable

Residual risk movement (remaining risk after mitigations) within the year:

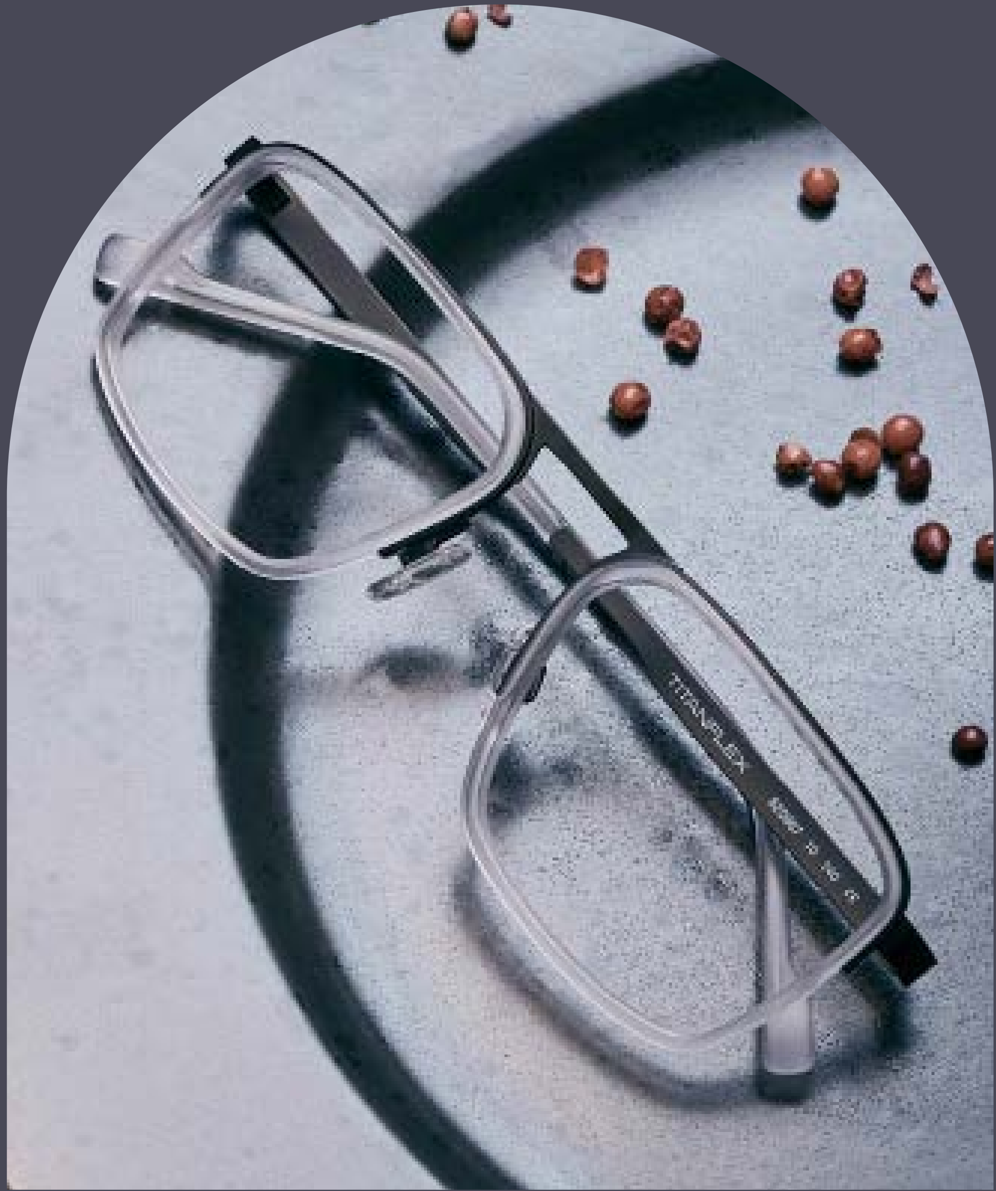
Increasing Decreasing Stable

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

DRIVING LONG-TERM GOALS

Strong corporate governance is the foundation of our business operation. It ensures transparency, accountability, and ethical decision-making. By upholding strong governance practices, we build trust with stakeholders and mitigate risks.



CORPORATE GOVERNANCE STATEMENT
CONTINUED

DEAR STAKEHOLDER

I am pleased to present the Corporate Governance Report for 2023. This report should be read in conjunction with the report on pages 73 to 74, 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 7 to 8, despite facing various challenges we have continued to drive operational efficiencies during 2023, despite cost and wage inflation across the Group.

GOVERNANCE

The Board believes that strong corporate governance is fundamental for the successful execution of the Group's strategy. In my role as Chairman, my responsibility is the building and leading of an effective Board to ensure we meet the highest standards of corporate governance. We recognise the importance of having suitably qualified Non-Executive Directors who are independent in character and free from any relationship that could affect their judgement.

Shaun Smith and Hugo Adams, who both joined the Board on 1 December 2022, have fufilled their first full year as Non-Executive Directors. Both bring a wealth of experience to the Board allowing for constructive debate and strategic input. Richard Peck, who transitioned to an Executive Director, fulfilled his first year as Group CEO from 1 December 2022. Richard has over 40 years of industry experience within eyewear and has brought significant drive in achieving the Group's strategic objectives.

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.

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. Our Non-Executive Directors engage with our shareholders as appropriate and also with our auditors, Nominated Advisor (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 German office during the year to meet with the management team there.

LOOKING AHEAD

Following our performance in 2023, the Board is focused on continuing to implement its strategic objectives and improve its performance during 2024. Risk management remains of key importance to the Board who continually review our risk management structures ahead of uncertain times.

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

Robin Totterman
Chairman
17 April 2024

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 in ensuring and promoting the long-term, sustainable growth of the Group for all shareholders.

See Pages 06 to 65

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
- Approving budgets and forecasts
- Reviewing potential acquisitions
- Oversight of the Executive Team and Committees

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.

HOW THE BOARD OPERATES

CONTINUED

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 updated as necessary.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is responsible for:

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

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
- Overseeing the alignment of the reward, incentives and culture

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

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 and TCFD 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
The Board met twelve times during 2023, including two Strategy meetings, five meetings to review quarterly updates, and two one-day meetings to agree the interim and year-end financial accounts. One of the Board meetings during the year was held at Eschenbach's offices in Nuremburg.

Scheduled meetings	Board	Remuneration and Nomination Committee	Audit and Risk Committee	ESG Committee
Robin Totterman	12/12	–	–	–
Richard Peck	12/12	1*	1*	2*
Christopher Kay	12/12	–	5*	–
Christopher Hancock	12/12	6/6	5/5	3/4
Angela Farrugia	11/12	–	–	4/4
Shaun Smith	12/12	6/6	5/5	–
Hugo Adams	12/12	6/6	5/5	4/4

* In attendance

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 Chair.

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 76 to 86.

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 Reporting Council's aim of encouraging diversity.

A full breakdown of gender representation for Directors is shown on page 51.

Board and Board Committee effectiveness review
In January 2024 we carried out an internal Board evaluation for 2023. The Executive Chair reviewed the actions and discussed the output with the Board individually and at the Board Meeting held on the 19th February 2024. A summary of the outcome is set out below:

The key outcome of the review was that the Executive Team and the Board felt that the Board and its Committees continue to be well-functioning and effective in providing oversight of the Company and ensuring good governance. To increase the Board's understanding of the Group, it has been agreed that an approach to provide greater exposure to the entities will benefit the Board. Presentations will be held throughout the year so that the Board can provide valuable input to the Group entities.

Other recommendations included:

- Increased information on the competitive environment to help the Board review possible growth areas. This will improve the Board's understanding of strategies and direction and will enable the Board to continue to provide valued input.
- Continued consideration for ESG and the risks and opportunities associated. The Board will continually strengthen the Groups commitment and ensure all relevant legislation is followed including TCFD and updates to the QCA code.

Board members' independence
The Board considers and ensures that each of the Non-Executive Directors are independent of management.

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, as follows:

- 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 76 to 78 of this report.

HOW THE BOARD OPERATES
CONTINUED

- The Remuneration and Nomination Committee is responsible for establishing procedures for setting executive remuneration policy and executive pay. Details of its work during the year is given on pages 79 to 83 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 environmental, social and governance matters across the Group. Their report for the year is on pages 84 to 86.

Conflicts of interest
Declaration of any conflicts of interest is a standing agenda item on all Board and Committee meetings to ensure that they are regularly considered.

Directors' and Officers' liability insurance
The Group continues to hold Directors' and Officers' insurance during the period 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 6 June 2024. 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. The AGM is an opportunity for shareholders to ask questions relating to the Group, with details of how to do so also included within the Notice of the Annual General Meeting.

CONTINUING ENGAGEMENT WITH STAKEHOLDERS.

HOW THE BOARD OPERATES
CONTINUED

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.

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 on pages 42 to 54 of this report.

The Board has ultimate responsibility for internal control and how we manage this process is shown on page 78.

Our gender diversity is shown on page 51 of this report. Our compliance with the QCA Corporate Governance Code principles is reported on below:

THE QCA CORPORATE GOVERNANCE CODE

DELIVER GROWTH

Governance principles	Compliant	Application of the principle	Further information
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 13 to 16 to learn more about our strategy and business model.
2. Seek to understand and meet shareholder needs and expectations.	✓	Meetings are held with investors and analysts after the release of interim and final results. 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 37 to 41 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. We acknowledge our social and environmental responsibilities, and consider the impact upon these in all that we do.	See pages 37 to 41 to see how we communicate and deal with our stakeholders. In addition, see pages 42 to 54 of our ESG Report.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.	✓	Risk Management Committees are held at the division and Group level, considering both internal and external risks, and reporting into the Audit and Risk Committee. During the period, the role of Head of Internal Controls has been established, to ensure robust and consistent internal controls across the Group.	See pages 63 to 65 for further detailed information on risk management, and pages 76 to 78 for the Audit and Risk Committee's Report considering auditor independence.
5. Maintain the Board as a well-functioning, balanced team led by the Chair.	✓	The Board consists of four independent Non-Executive Directors with diverse and relevant experiences and perspectives, the Executive Chair, the CEO and CFO. The Board has a wealth of experience on strategy, operations and financial matters. The Executive Chair engages in open debate and proposed strategies are challenged.	See Board Director information on page 75 for further details.

HOW THE BOARD OPERATES
CONTINUED

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

Governance principles	Compliant	Application of the principle	Further information
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 a strong balance of capabilities to manage the Group. Members of the Board keep their skillset up-to-date in a variety of ways throughout the year. The Board are also supported by Committees, and use external advisors where relevant, to ensure sufficient resource and expertise are available.	See Board Director information on page 75 for further details.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	✓	The Board and Board Committees internally review their performance on an annual basis, with an external review every three years.	Details of the Board and Board Committees effectiveness reviews are included on page 83.
8. Promote a corporate culture that is based on ethical values and behaviours.	✓	The Board and Senior Management promote and encourage 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 67 and 68 of the Corporate Governance Report, along with pages 49 to 52 for the Social section of our ESG report.

Governance principles	Compliant	Application of the principle	Further information
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 76 to 86.

BUILD TRUST

Governance principles	Compliant	Application of the principle	Further information
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 37 to 41 of the Strategic Report.

HOW THE BOARD OPERATES
CONTINUED

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 35 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 40 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 since IPO in February 2020.	Christopher Hancock FCA has over 30 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 Chair of Driver Group Plc, and a Non-Executive Director of Epwin Group Plc and Cake Box Holdings 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 as CEO of Start-Rite Shoes.

AUDIT AND RISK COMMITTEE REPORT

MAINTAINING TRANSPARENCY

The Audit and Risk Committee, comprised of independent directors with diverse professional backgrounds, plays a crucial role in ensuring the integrity of financial reporting, effective risk management, and compliance with regulatory requirements

AUDIT AND RISK COMMITTEE REPORT
CONTINUED

MEETINGS DURING 2023
06

Committee member	Attendance
CHRISTOPHER HANCOCK (CHAIR)	6
SHAUN SMITH	6
HUGO ADAMS	6

The Committee's primary responsibilities include:

- Financial reporting
  - Review of going concern, key judgements and significant accounting policies
  - Assessing the adequacy of internal controls over financial reporting
  - Review of the Annual Report and Accounts to ensure its completeness, fairness, balance and understandability
  - Review of disclosures required under the Task Force For Climate-related Financial Disclosures (TCFD) framework
- External audit oversight
  - Reviewing and approving the audit plan
  - Monitoring the auditor's independence and performance
  - Reviewing the extent of, and policy for, non-audit services provided to the Group by the external auditors
- Risk management
  - Assisting management with identifying and addressing new and emerging risks
  - Overseeing the implementation of risk mitigation strategies

MEMBERSHIP
The Audit and Risk Committee comprises Christopher Hancock (Chair) Hugo Adams and Shaun Smith. See Director biographies on page 75 for further details.

MEETINGS AND ATTENDANCE
The Audit and Risk Committee is mandated to meet at least three times a year. It met six times in 2023 with additional meetings being required to address matters arising from the 2022 audit. These were principally around going concern and a letter received from the FRC regarding the carrying value of investments. Both matters arose out of the disappointing financial performance in 2022 and both matters were dealt with satisfactorily (see further note on the FRC letter below).

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

Members of Executive and Group management attend 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 15 June 2023.

FEES, EFFECTIVENESS AND INDEPENDENCE
The Audit and Risk Committee undertakes a review of the effectiveness and independence of the Group's auditors. The Committee determined that the expertise and global presence of the auditor is appropriate given the size and complexity of the Group. The Group's auditors have brought to the Committee's attention a number of internal control matters which will be addressed by management. Despite inflation, the fee for the 2023 audit is lower than 2022 as a result of improvements made to the efficiency of the Group's reporting processes.

The fee for the audit to 31 December 2023 is £1,483,000 (2022: £1,528,000).

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

In 2023, £5,000 of non-audit fees were paid to EY for agreed upon procedures in association with the Group's King's Award application (2022: £nil).

INTERNAL AUDIT
The Committee is aware of the risk of fraud and the Board's responsibility to prevent it and has continued to recommend that the Group should implement an Internal Audit Function to further improve and monitor the Group's controls. During Q3 of 2023, a Head of Internal Controls was recruited. The expectation is that his initial review of group internal controls will be completed by the end of 2024. Following on from this, given the current size and complexity of the organisation, the Group will establish appropriate Internal Audit resources to audit financial controls, accounting procedures and enhance risk management across the Group.

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 63 to 65.

AUDIT AND RISK COMMITTEE REPORT

CONTINUED

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 by the Group treasury function.
- An annual budgeting process producing detailed profit and loss, balance sheets, and cash flows, updated on a rolling 12-month basis.
- Monthly reporting of KPIs, key risk areas, capital expenditure and compliance with covenants on banking facilities.
- Key risks, including reasonableness of market forecasts, covenant compliance and Health and Safety issues, are raised to the level of 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 reviewed the going concern forecast for the period to 30 June 2025. This review focused, in particular, on the headroom on the covenants on the HSBC bank facility which was extended in the year. The review included Management's 'base case', 'severe but plausible' downside case and 'reverse stress test' scenarios. It also considered the likelihood of being able to refinance the Group's banking facilities by October 2025, falling four months after the end of the formal going concern review period. As a result of this review the Board concluded that it was appropriate to prepare the financial statements on a going concern basis.
- Goodwill and intangible assets are significant values in the Group's balance sheet and the Committee considered any potential impairment that might be required. Having reviewed the cash flows of the CGU (cash-generating units), growth assumptions and the discount rates applicable to the CGU along with sensitivity analysis, the Committee concluded that given the headroom which exists for each CGU, no impairment should be recorded.
- The Committee reviewed the tax provisions recognised relating to permanent establishment risks and the position taken as at 31 December 2023 and concluded that, given the practices and procedures in place, the provision was reasonable.
- The Committee reviewed the accounting for deferred tax both in the current year and the disclosure of the deferred tax assets and liabilities in the prior period balance sheet. See pages 134 and 135 for the prior period restatement which has been made. The Committee noted that the company has substantial brought forward losses in the UK and the Committee agreed that only the portion of these which could reasonably be expected to be used in the next five years should be recognised as an asset.
- The Committee has reviewed the provision made against the Group's sales in respect of the constructive right of return by its customers in certain markets and concluded that given the Company's change in commercial policy regarding the period over which returns are accepted, the provision is reasonable.
- The Committee has noted the further reduction in the market capitalisation of the Company as an indicator of potential impairment, It has reviewed the carrying value of investments and receivables due from Group companies in the Company's own balance sheet and compared them with the discounted cash flows forecast to arise from these investments. These demonstrate that the underlying value of these investments is higher than the value currently attributed to them by the market and that there is no impairment to the value of these assets

FRC REVIEW

The Audit and Risk Committee reviewed and considered communications with the FRC in respect of the impairment assessment of investments in subsidiaries and amounts owed by Group undertakings. The FRC reviewed the 2022 annual report and accounts and made certain enquiries which the Group responded to, with the FRC then closing their enquiry with no further actions required. We considered the matters raised by the FRC in preparing the disclosures in the 2023 Annual Report and Accounts.

The Audit and Risk Committee notes that the FRC's review was based on the 2022 Annual Report and Accounts and does not benefit from detailed knowledge of our business or an understanding of the underlying transactions entered into. It is, however, conducted by the staff of the FRC who have an understanding of the relevant legal and accounting framework. We also note that the FRC provides no assurance that the annual report and accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements. The FRC's letters are written on the basis that the FRC (which includes the FRC's officers, employees and agents) accepts no liability for reliance on them by the company or any third party, including but not limited to investors and shareholders.

RECOMMENDATIONS ARISING OUT OF THE AUDIT

Historically, reporting of results by some parts of the group has been later than desirable which has caused delays in reporting for audit and other purposes. During 2023, the Committee reviewed the process of financial information reporting. Following this review, in order to further improve the flow of information across the Group, new ERP systems are being implemented in 2024, allowing for increased speed and delivery of information to both managers and executive teams. The Committee has also recommended that full 'bottom-up' re-forecasts of the Group's performance are produced on a quarterly basis. The Committee has further recommended strengthening of both the European and UK finance teams to enhance controls and information flow.

WHISTLEBLOWING, FRAUD AND BRIBERY ACTS

The Group has in place a whistleblowing policy which is communicated to all employees on joining and updated yearly. 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. All reports are reviewed by the Group ESG, Compliance and Risk Officer and, when appropriate, shared with the Board. 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 management teams and key staff in relevant customer and supplier facing positions. The results of this questionnaire have been reviewed and training directed to specific learning objectives within the Group, along with a general training update.

REMUNERATION AND NOMINATION COMMITTEE REPORT

EFFECTIVE BOARD

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

REMUNERATION AND NOMINATION COMMITTEE REPORT

CONTINUED

MEETINGS DURING 2023

06

Committee member	Attendance
CHRISTOPHER HANCOCK (CHAIR)	6
SHAUN SMITH	6
HUGO ADAMS	6

MEMBERSHIP

The members of the Committee are all independent Non-Executive Directors in compliance with the QCA Code. During the year the Committee comprised Christopher Hancock (Chair), Hugo Adams and Shaun Smith. See Director biographies on page 75 for further details.

MEETINGS AND ATTENDANCE

The Committee is mandated to meet at least twice per year but actually met six times formally and several more times informally (including a meeting with an outside consultancy firm) in order to review various remuneration proposals from the executives and to discuss strengthening the management team. Non-committee members were invited to attend meetings from time to time so that the Committee could give direction on remuneration and succession planning.

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 2023, the remuneration of Directors and senior executives of the Group comprised the following elements:

- Contracted base salary
- Performance-based annual bonus
- Long-term share-based incentive Plan (LTIP)
- Pension and other contracted benefits

A review of Group executive pay was undertaken in 2022 which highlighted a need to adjust salary levels to align them with market benchmarks and to revise the structure of the LTIPs in line with market expectations. Salaries were adjusted in 2022 and no further adjustments to executive salaries were deemed necessary in 2023.

Executive Director service contracts

The Executive Chairman, Robin Totterman, and the 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 Executive Chairman on 1st December, 2022.

Directors' contracts have no fixed duration and are terminable with six months' notice.

Short-term incentive – 2023 annual bonus

Due to the disappointing outcome of the Group's key performance indicator of Adjusted Underlying EBITDA which at £18.0m was significantly below target, no bonuses will be paid to the Executive Directors in relation to 2023.

REMUNERATION AND NOMINATION COMMITTEE REPORT
CONTINUED

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. Following admission, options were issued each year in accordance with this plan.

Following the review of executive remuneration conducted in in 2022, it was determined that the structure of the LTIP should be aligned with market norms by making the issue of options dependent on performance. In February 2023, the Committee produced a proposal for the issue of nil paid options which would vest based on meeting a target EPS performance CAGR over three years. Subsequently, the Group retained a leading remuneration consultancy firm to review and benchmark the proposed structure as a result of which it is proposed to issue nil paid options to senior executives in the Group with vesting from 25 to 100% of the total opportunity being driven by performance of a CAGR in Underlying Adjusted EPS. The Committee intends to consult with the Group's top external shareholders regarding this proposed structure in advance of the issue new option awards.

No options were issued in 2023 while this review was taking place. It is expected that the first options under the new scheme will be issued following the announcement of the 2023 results. The total options to be in issue at any time are subject to the same cap as previously.

The total LTIP options outstanding as at 31 December 2023 were 4,740,174 and this represents 4.7% of the Group's issued share capital as at 31 December 2023 amounting to 101,671,525 shares of 0.01p each.

Non-Executive Directors

Non-Executive Directors are paid a base fee for serving as a Director with an additional fee of £5,000 for serving on each Committee. Non-Executive Directors receive no bonus or LTIP. Non-Executive base fees were increased from £30,000 to £55,000 in 2023 to reflect the additional work falling on the Non-Executive Directors as a result of the need for increased Board attention to review Group performance and the oversee the effect of regulatory changes such as TCFD.

Name	Options granted	Grant date	Exercise price £
Robin Totterman	150,000	22/12/2020	2.10
	50,000	23/12/2021	3.70
Richard Peck	50,000	22/12/2020	2.10
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	1,373,650	27/02/2020	1.95
	540,000	22/12/2020	2.10
	457,883	26/02/2021	3.25
	90,000	21/06/2021	3.51
	275,000	31/08/2021	3.70
	179,999	23/12/2021	3.70
	457,883	28/02/2022	3.75

REMUNERATION AND NOMINATION COMMITTEE REPORT

CONTINUED

Directors' interest in shares

The interests of the Directors as at 31 December 2023, including their spouses, dependents and close family members, in the Ordinary Shares of the Group were:

	2023	2022
Robin Totterman	**18,625,005**	18,625,005
Richard Peck	**9,523**	9,523
Christopher Kay	**2,178,730**	2,178,730
Christopher Hancock	**23,448**	18,940
Angela Farrugia	**31,904**	31,904
Shaun Smith	**–**	–
Hugo Adams	**16,500**	16,500

Directors' employment and pension contributions to 31 December 2023

	£		
	Salary/Fees	Taxable benefits	Total remuneration
Robin Totterman	249,100	1,266	250,366
Richard Peck	290,900	–	290,900
Christopher Kay	249,100	2,444	251,544
Christopher Hancock	64,333	–	64,333
Angela Farrugia	60,750	–	60,750
Shaun Smith	59,374	–	59,374
Hugo Adams	63,750	–	63,750

Directors' employment and pension contributions to 31 December 2022

	£		
	Salary/Fees	Taxable benefits	Total remuneration
Lord MacLaurin (resigned 30th November, 2022)	40,333	–	40,333
Robin Totterman	255,625	1,108	256,733
Richard Peck	101,008	–	101,008
Chris Kay	227,667	15,570	243,237
Christopher Hancock	48,000	–	48,000
Angela Farrugia	49,750	–	49,750
Shaun Smith	4,167	–	4,167
Hugo Adams	4,583	–	4,583

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 £122,000 in the year to 31 December 2023 (2022: £134,000). 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 £8,000 (2022: £8,000) in respect of professional services provided. On 31 December 2023, INSPECS Limited owed Thorne Lancaster Parker £nil (2022: £3,000) in respect of the above, with this balance included within trade payables. During the year the partnership charged Norville (20/20) Limited £2,000 (2022: £7,000) in respect of professional services provided, with £nil being owed at the end of the year (2022: £2,000) in respect of the above, with this balance included within trade payables.

Consultancy Costs

In addition to a Non-Executive Director salary, A Farrugia, a Non-Executive Director of the Group, was paid £nil (2022: £14,000) during the year in respect of brand consultancy services.

REMUNERATION AND NOMINATION COMMITTEE REPORT
CONTINUED

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	£1.34
Lowest market price in the year	£0.42

OTHER WORK OF THE COMMITTEE IN THE YEAR

Board effectiveness review
In January 2024, we carried out an internal Board evaluation based on 2023 performance. The Executive Chair reviewed the actions and discussed the output with some of the Board individually and then collectively at the Board Meeting held on the 19th February 2024. A summary of the outcome is set out below:

The key outcome of the review was that the Executive Team and the Board felt that the Board and its Committees continue to be well-functioning and effective in providing oversight of the Company and ensuring good governance. To increase the Board's understanding of the Group, it has been agreed that an approach to provide greater exposure to the Group's operating companies will benefit the Board. Presentations will be held throughout the year so that the Board can provide input to the Group entities.

Other recommendations included:
- Increased use of market data and competitor analysis to help the Board evaluate potential growth areas. This will improve the Board's understanding of strategies and direction and will enable the Board to continue to provide valued input.
- Continued consideration for ESG and the risks and opportunities associated. The Board will continually review the Group's commitment and performance ensuring all relevant legislation is followed including TCFD and updates to the QCA code.

Diversity, equity and inclusion
The Committee specifically looks to promote diversity, equity and inclusion in the Board and senior management of the Group through its appointments and promotions. No senior appointments were made in 2023. An analysis of the diversity of the Group's workforce is set out within the ESG report on page 51.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE REPORT

ANGELA FARRUGIA
CHAIR OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE REPORT

RESPONSIBLE INITIATIVES

Over the last year we have continued to progress our Environmental, Social and Governance ('ESG') commitments and evolved our Roadmap into a more focused series of responsible business initiatives, measures and targets on a Group wide basis

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE REPORT

CONTINUED

MEETINGS DURING 2023

04

Committee member	Attendance
ANGELA FARRUGIA (CHAIR)	4
HUGO ADAMS	4
CHRISTOPHER HANCOCK	3

LETTER FROM THE CHAIR.

Over the last year we have continued to progress our Environmental, Social and Governance ('ESG') commitments and evolved our Roadmap into a more focused series of responsible business initiatives, measures and targets on a group wide basis.

We have built our ESG Roadmap around the strategic pillars of People, Planet, Product, Packaging and Procurement, which on a Group level champions our ambitions for the direction and pace we want to achieve.

At the heart of everything is a desire to improve our engagement with our employees, the community and our stakeholders whilst continuing our commitment to a better future for the planet.

In line with our commitment to bring positive change, I am very pleased with the progress we have made throughout 2023 and our plans for the future.

Angela Farrugia
ESG Committee – Chair

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 the Group ESG goals and objectives. Key metrics to be adopted by each entity, 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE REPORT

CONTINUED

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, Committee members include Hugo Adams and Christopher Hancock. Richard Peck, Chief Executive Officer of the Group, is in regular attendance.

MEETINGS AND ATTENDANCE

The Committee is mandated to meet at least twice per year. In 2023, four Committee meetings were held. 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.

ESG has been on the Board's standing agenda since 2021 and each Board meeting is attended by the Group ESG, Compliance and Risk Officer, Angela Eman, to be able to provide valuable feedback on progression and detail challenges within sustainability, social, health and safety and governance issues. Innovation is intertwined with our sustainable future with product and packaging solutions. Nick is able to provide experience and expertise in this field and attends the ESG Committee meetings.

The ESG Committee ensures that material ESG issues are integrated into the Company's long-term business vision and purpose and is fundamental to raising the profile of ESG initiatives across the Group. INSPECS Group PLC established the ESG Committee to have a dedicated approach to development and implementation of our sustainability interventions and initiatives. The Committee was formed and held its first formal meeting in November 2022.

The ESG Committee will recommend to the Board for approval, sustainability-related targets and review the Company's progress towards those targets, reporting regularly to the Board.

KEY ACHIEVEMENTS IN 2023

- Development of product and packaging strategy aligned with overall ESG strategy.
- Group Code of Conduct issued.
- Agreement and support for Group carbon emissions assurance.
- Supporting innovations including new responsible packaging concepts and eyewear solutions.

AREAS OF FOCUS FOR 2024

- Review of relevant ESG-related accreditations.
- Evaluate and progress the Group's responsible material principles and innovative solutions.
- Product carbon footprint analysis.
- Skills training and mentorship development.

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the year ended 31 December 2023. The Corporate Governance Statement on pages 67 and 68 also forms part of this Directors' Report.

THE GROUP'S REVENUE OF

£203.3m

(FY22: £201.0M).

LOSS AFTER TAX OF

£1.0m

(FY22: LOSS £6.3M).

REVIEW OF BUSINESS

The Chairman's Statement on pages 7 and 8, and the Strategic Report on pages 6 to 65 provides a review of the business, the Group's trading for the year ended 31 December 2023, 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 100. The Company financial statements have been prepared under FRS 101 for the year ended 31 December 2023.

The Group's revenue of £203.3m (FY22: £201.0m), Gross Profit margin of 50.9% (FY22: 49.2%) and loss after tax of £1.0m (FY22: loss £6.3m).

	Reported IFRS	
Period ended	**31 December 2023**	31 December 2022
Revenue (£m)	**203.3**	201.0
Gross margin %	**50.9%**	49.2%
Loss after tax (£m)	**(1.0)**	(6.3)

The Board is not recommending a dividend (FY22: No dividend).

DIRECTORS

The Directors of the Group during the year were:

Executive	Non-Executive
Robin Totterman (Chairman)	Christopher Hancock
Richard Peck (CEO)	Angela Farrugia
Christopher Kay (CFO)	Shaun Smith
	Hugo Adams

The names of the Directors, along with their brief biographical details, are given on page 75.

DIRECTORS' INTERESTS

The Directors' interests in the share capital of the Group at 31 December 2023 and 2022 is shown below:

	2023	2022
Robin Totterman	**18,625,005**	18,625,005
Christopher Kay	**2,178,730**	2,178,730
Christopher Hancock	**23,448**	18,940
Angela Farrugia	**31,904**	31,904
Richard Peck	**9,523**	9,523
Shaun Smith	**–**	–
Hugo Adams	**16,500**	16,500

CHARITABLE AND POLITICAL DONATIONS

As part of our responsible commitment, the Group and its subsidiaries has made a number of donations to local charities. The Group made no political donations in the financial period.

DIRECTORS' REPORT

CONTINUED

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 131 to 133.

SHARE CAPITAL STRUCTURE

At 31 December 2023, 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.

SUBSTANTIAL SHAREHOLDINGS

At 31 December 2023, 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
Canaccord Genuity Group Inc	18.4%
Robin Totterman	18.3%
Liontrust Asset Management	6.7%
Downing	6.0%
Amati Global Partners	5.6%
Hargreaves Lansdown	4.7%
Royal London Asset Management GIS Ltd	4.4%
Stonehage Fleming	3.8%

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

Group revenue of £203.3m was a record for a year, above 2022 revenue of £201.0m, but below our expectations, however the Board remains positive for 2024 with new accounts and distribution in place. The Directors have considered the Group's financial forecasts, borrowing levels, leverage, and capital expenditure to the end of June 2025 as part of its comprehensive review.

The Board considered a base case; a downside scenario; and a reverse stress test to assess the effect of the current economic uncertainties and political landscape. The scenarios are as follows:

Base Case

- The Base Case is the Board approved budget which has been updated with the Group's trading to February 2024. The budget was prepared assuming a continuation of the current economic uncertainties and political landscape together with inflationary pressures and higher interest rates across the World.
- The budget includes the small acquisition of A-Optikk in Norway completed in January 2024
- Our markets remain resilient and are trading in line with expectations.
- The Group expects to be able to maintain its budgeted margin throughout 2024.
- The base case includes Capital Expenditure in 2024 for the new third plant in Vietnam.
- In this base case scenario, no covenant breaches or liquidity challenges are expected.

Severe but plausible downside scenario

- The Group has known forward orders for circa three months through to the end of May 2024, therefore our downside scenario updates the base case with an 8.5% reduction in revenue for each month from June 2024. The Directors believe that an 8.5% reduction from the base case is appropriately conservative based on the current trading position, the improved business through EGO and Norville, expected falling global inflation and increasing consumer confidence. The severe but plausible downside assumes some controllable costs savings by a reduction in employee bonuses and commission and a reduction in discretionary spending in administrative costs.
- In this downside scenario, no covenant breaches or liquidity challenges are expected.

The Group has considered the severe but 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 26% drop in forecast revenue, whilst maintaining gross margin. This drop represents a significant reduction against actual trading in 2023 and is a reduction in revenue not previously experienced by the Group. This results in a breach in interest ratio covenant in June 2025. 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 through reducing headcount, discretionary administration costs being limited to only those determined to be essential, further reducing the time period in which returns can be made allowing for a release of the right of return provision and stopping non-committed capital expenditure from November 2024 onwards.

The Group has considered the reverse stress test and focussed on the risk of not complying with covenants as opposed to liquidity issues. This is on the basis that in a reverse stress test scenario the Group would breach a covenant before cash levels were reduced such that the Group was not able to meet its obligations as they fall due.

DIRECTORS' REPORT

CONTINUED

The reverse stress test models a breach in the interest ratio covenant in June 2025. In this case the Directors have available further levers within its control to save costs and generate income. Whilst not wholly within management's control, the Group also could discuss amending or waiving covenants with the bank should an unprecedented drop in revenue occur occur. After a disappointing end to 2023 and a slow start to 2024, the recent trend has been more encouraging. This gives further confidence to the achievement of the base case and when combined with the mitigations wholly within management's control the directors consider that the reverse stress test scenario is a remote possibility.

The Group's borrowings, amounting to £44.3m, 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 2025 and initial discussions regarding renewal have already taken place. Formal work on the renewal is expected to take place in Q3 2024 with a view to extending the terms for a further 3 years from October 2025. It is not expected that any bullet payment will become due in October 2025 and the Directors are confident of a successful renewal of the facilities based on the recent granting of the 12-month extension to October 2024 combined with positive discussions with the current lenders regarding future financing beyond the going concern period.

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 2025. Accordingly, the directors adopt the going concern basis in preparing the financial statements.

POST BALANCE SHEET EVENTS

On 22 January 2024 INSPECS acquired 100% of the share capital of A-Optikk AS for NOK 10,000.

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 pages 14 to 16.

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 41 to 53).

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 47 and 48.

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 6 June 2024. The ordinary business comprises receipt of the Directors' Report and audited financial statements for the year ended 31 December 2023, 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 17 April 2024.

Chris Kay
Chief Financial Officer
17 April 2024

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 international 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 international 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
17 April 2024

FINANCIAL STATEMENTS

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 2023 and of the group's loss after tax 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 2023 which comprise:

Group	Parent Company
Consolidated Statement of Financial Position as at 31 December 2023	Statement of Financial Position as at 31 December 2023
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 14 to the financial statements including material accounting policy information
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 36 to the financial statements, including material accounting policy information.	

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 2025; 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 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 2025, and confirming the repayments due within this period are accurately included;
- Challenging Management's conclusions with assistance from EY debt advisory specialists in relation to their ability to refinance existing facilities which expire after the end of the going concern review period in October 2025. Our challenge included discussion with representatives of the Bank.
- 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, FY23 actual performance and FY24 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;

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of INSPECS Group plc

- Challenging, based on our own independent sensitivity testing, 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 reductions in discretionary spending relating to travel and advertising that management could take in the event of a decline in trading;
- Assessing management's conclusion that extinguishment of liquidity is less sensitive than a potential breach of covenants such that it is appropriate for management's assessment to focus on the scenarios which could lead to a covenant breach.
- 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 2025, 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 2025, including the forecast covenant compliance; and
- Assessing the appropriateness of the going concern disclosure on pages 103 – 104.

Our key observations

- At 31 December 2023 the Group has committed facilities of $18.7m term loan and a Revolving Credit Facility of £29.25m to October 2025. The Group has fully drawn down the term loan and utilised this Revolving Credit Facility at 31 December 2023. The Group had a cash balance of £20.1m at 31 December 2023.
- The above committed facilities expire in October 2025 and it is both management's and the Bank's intention to begin formal discussions regarding refinancing in September 2024. Management is confident that they will be able to successfully refinance ahead of the current facilities' expiry.
- Management considers 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 a period to 30 June 2025

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 five components and specified audit procedures for a further five components. • The components where we performed full or specified audit procedures accounted for 92% of results before tax, 86% of revenue and 91% of Group total assets.
Key audit matters	• Revenue recognition including management override; • Valuation of goodwill within Eschenbach and Killine CGUs and • Going concern
Materiality	• Overall group materiality of £1,503 thousand which represents 0.75% 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, changes in the business environment and other factors such as recent Internal audit results 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 10 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 10 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 current year, the full scope components contributed 73% (2022: 66%) of the Group's results before tax, 72% (2022: 71%) of the Group's revenue and 83% (2022: 84%) of the Group's total assets.

In addition, we conducted specified procedures relating to 5 reporting units ("specified scope components"). The specified scope components contributed 19% (2022: 26%) of the Group's results before tax, 14% (2022: 10%) of the Group's revenue and 8% (2022: 5%) of the Group's total assets. We performed audit procedures on specific accounts within those components 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. For all these components we performed procedures

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of INSPECS Group plc

related to revenue and cash and then performed other procedures determined upon size and risk. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Overall, the reporting components where we performed audit procedures accounted for 92% (2022: 94%) of the Group's results before tax, 86% (2022: 86%) of the Group's Revenue and 91% (2022: 91%) of the Group's Total assets.

For the remaining 20 reporting units that together represent 14% of the Group's revenue, none are individually greater than 3% of the Group's Revenue. For these components, we performed other procedures including analytical reviews, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations and obtaining bank confirmations 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.

	2023				2022			
Reporting components	Number	% of Group profit 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	73%	72%	83%	5	66%	71%	84%
Specific scope	-	-	-	-	1	2%	5%	2%
Specified procedures	5	19%	14%	8%	4	26%	10%	5%
Full, specific, and specified procedures coverage	**10**	**92%**	**86%**	**91%**	**10**	**94%**	**86%**	**91%**
Remaining components	20	8%	14%	9%	20	6%	14%	9%
Total reporting components	**30**	**100%**	**100%**	**100%**	**30**	**100%**	**100%**	**100%**

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

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 to the overall Group in aggregate. As a result of a decrease in proportion to the overall Group, the reporting unit determined in the prior year to be specific scope was moved to specified procedures. Similarly, given the reduction on contribution to the wider Group of one of the reporting units designed as specified procedures in the prior year, this has been moved to "other procedures" scope with the procedures performed being as detailed above. Conversely, a component designated as review scope in the prior year was moved to specified procedures given a change in the composition of its balances.

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. Of the 5 specified procedures components, audit procedures were performed on 3 of these directly by the primary team. For the 3 full scope and 2 specified procedure components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to be satisfied that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits key locations on a rotational basis. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in the following locations: China and Germany. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending planning and closing meetings and reviewing relevant audit working papers on risk areas. The primary team interacted regularly with the component teams as appropriate during various stages of the audit 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 potential supply chain disruption and possible cost increases to improve product sustainability in response to changing customer preferences. These are explained on pages 55 to 62 in the required Task Force On Climate Related Financial Disclosures and on pages 63 to 65 in the principal risks and uncertainties. The Group have also explained their climate commitments on page 62. 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 inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of INSPECS Group plc

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.

Management has explained in note 13 how they have reflected the impact of climate change in the financial statements. There are no significant judgements or estimates relating to climate change in the notes to the financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact both physical and transition climate risks, their climate commitments, the effects of material climate risks disclosed on pages 57 to 60 and whether these have been appropriately reflected in asset values where these are impacted by future cash flows and associated sensitivity disclosures (see note 13). As part of this evaluation, we performed our own risk assessment supported by our climate change internal specialists 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. Considerations of climate change were included as part of assessment of going concern.

Based on our work, whilst we have not identified the impact of climate change on the financial statements to be a standalone key audit matter, we have considered the impact on the following key audit matters: valuation of goodwill. Details of the impact, our procedures and findings are included in our explanation of key audit matters below.

KEY AUDIT MATTERS

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

Going concern has also been considered a key audit matter.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Risk on revenue recognition including management override. The risk of management override through inappropriate manual journals to revenue or inappropriate calculation of right of return provision (2023 £203.3m, 2022 £201.0m) *Refer to accounting policies (page 105); and Note 5 of the Consolidated Financial Statements (page 113)* *Revenue performance is a focus for stakeholders who expect year on year growth. 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 provision. As such there is a heightened risk that management could manipulate this judgemental area to understate the year end provision and in doing so overstate 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, we 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 return arrangements with customers. • Checked the arithmetical accuracy of return calculations by performing our own recalculation. • Where contractual obligations are in place, we identified new agreements that have been entered in to 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. • For those components, where the obligation is constructive rather than contractual, we assessed whether the key assumptions regarding expected returns were in line with commercial practice. • A sample of 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 scope audit procedures over this risk area in five locations, which covered 72% of revenue. We also performed specified procedures in five locations, which covered 14% of revenue. • Procedures to respond to this risk were performed by both the primary audit team and component teams.	Our procedures performed did not identify any unsupported manual adjustments to revenue or any unexplained anomalies from our revenue analytics. Our audit procedures identified immaterial differences related to revenue cut off and right of return provision and these were corrected by management.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of INSPECS Group plc

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Valuation of goodwill within Eschenbach and Killine CGUs (2023 £55.6m, 2022 £55.6m) *Refer to the Audit and Risk Committee Report (page 78); Accounting policies (page 104); and Note 13 of the Consolidated Financial Statements (pages 119-120).* There is a risk that, Cash Generating Units ('CGUs') may not achieve the cash flows to support the carrying value of goodwill arising from historic acquisitions leading to an impairment charge. There is a significant amount of goodwill relating to legacy acquisitions of £55.6m included in the Balance Sheet which primarily relates to the Eschenbach and Killine CGUs (as these hold the material goodwill balances and remained sensitive to changes in key assumptions). Management is required to carry out an impairment review of goodwill under IFRS which involves judgement and estimates regarding the future results of the business, likely growth rates and discount rates used. 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.	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 FY23 by considering independent evidence available to support these assumptions, their consistency with findings from other areas of our audit and by performing sensitivity analyses. • Assessed the impact of climate change on future forecasts and how this has been included in each impairment assessment. This included challenging the completeness of costs included in management's forecasts. • With assistance from EY business valuation specialists, the discount rates and long-term growth rates applied within the model were assessed including comparison to economic and industry forecasts. • For all relevant CGUs, we performed sensitivity analysis 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. • We assessed the disclosures in the financial statements against the requirements of IAS 36, in particular in respect of the requirement 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 94% of the value of goodwill.	We completed our audit procedures and found no issues in relation to impairment. An independent downside scenario derived by EY showed no impairment is required to these CGUs. Management has disclosed the sensitivities related to reasonable possible change in key assumptions in note 13 in accordance with the requirements of IAS 36.

In the prior year, our auditor's report included a key audit matter in relation to inventory valuation. This has not been considered a key audit matter in the current year as improvements in management's inventory valuation processes and controls resulted in fewer and smaller errors being identified resulting in a lower level of audit effort being expended.

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 £1,503 thousand (2022: £1,004 thousand), which is 0.75% of revenue (2022: 0.5% of revenue). 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. 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. The percentage applied has increased from the prior year as we consider there to be more stability in the global macro-economy and fewer changes within the operating activity of the Group.

We determined materiality for the Parent Company to be £695 thousand (2022: £586 thousand), which is 0.5% (2022: 0.5%) of total assets.

During the course of our audit, we reassessed initial materiality and found no need to change our materiality basis. 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% (2022: 50%) of our planning materiality, namely £752 thousand (2022: £502 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of INSPECS Group plc

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 £253 thousand to £405 thousand (2022: £49 thousand to £290 thousand).

Reporting threshold

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

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £75 thousand (2022: £50 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.

For the parent company, the reporting threshold applied was £35 thousand (2022: £29 thousand).

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 - 90, 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.

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 90, 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of INSPECS Group plc

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.

Our approach was as follows:

- 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 assessed the oversight of those charged with governance (i.e. considering the potential for override of controls or other inappropriate influence over the financial reporting process, the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. We corroborated our inquiries through our review of Board minutes, papers provided to the Audit and Risk Committee and attendance at meetings of the Audit and Risk Committee as well as consideration of the results of our audit procedures across the Group.
- 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 programmes 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.
- There were no instances of non-compliance with laws and regulations which were concluded to be not more than inconsequential.

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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of INSPECS Group plc

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

17 April 2024

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
REVENUE	5	**203,292**	200,957
Cost of sales		**(99,745)**	(102,097)
GROSS PROFIT		**103,547**	98,860
Distribution costs		**(6,020)**	(6,292)
Administrative expenses		**(94,639)**	(93,754)
OPERATING PROFIT/(LOSS)		**2,888**	(1,186)
Non-underlying costs	8	**(58)**	(1,466)
Exchange adjustment on borrowings	33	**1,312**	(2,044)
Finance costs	9	**(4,155)**	(3,095)
Finance income	9	**240**	108
Share of (loss)/profit of associate and joint venture	16	**(12)**	19
PROFIT/(LOSS) BEFORE INCOME TAX		**215**	(7,664)
Income tax (charge)/credit	11	**(1,212)**	1,345
LOSS FOR THE YEAR		**(997)**	(6,319)
Attributable to: Equity holders of the Parent		**(997)**	(6,319)
EARNINGS PER SHARE			
Basic loss for the year attributable to the equity holders of the Parent	12	**(0.98)p**	(6.21)p
Diluted loss for the year attributable to the equity holders of the Parent	12	**(0.98)p**	(6.21)p

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2023

	2023 £'000	2022 £'000
LOSS FOR THE YEAR	**(997)**	(6,319)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Exchange differences on translation of foreign operations	**(3,999)**	6,228
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX	**(3,999)**	6,228
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(4,996)**	(91)
Attributable to: Equity holders of the Parent	**(4,996)**	(91)

The notes on pages 103 to 135 form part of these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

	Notes	2023 £'000	2022 £'000 Restated
ASSETS			
NON-CURRENT ASSETS			
Goodwill	13	**55,578**	55,578
Intangible assets	14	**29,813**	36,170
Property, plant and equipment	15	**19,001**	17,424
Right-of-use assets	25	**16,599**	19,683
Investments in associate and joint venture	16	**98**	112
Deferred tax assets	29	**2,826**	1,835
		123,915	130,802
CURRENT ASSETS			
Inventories	17	**40,848**	48,158
Trade and other receivables	18	**35,855**	31,144
Tax receivables	30	**386**	3,681
Cash and cash equivalents	19	**20,070**	22,153
		97,159	105,136
Assets held for sale	20	**832**	832
TOTAL ASSETS		**221,906**	236,770
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	21	**1,017**	1,017
Share premium	22	**89,508**	89,508
Foreign currency translation reserve	22	**5,435**	9,434
Share option reserve	22	**3,222**	2,703
Merger reserve	22	**5,340**	5,340
Retained earnings	22	**(1,005)**	(461)
TOTAL EQUITY		**103,517**	107,541

	Notes	2023 £'000	2022 £'000 Restated
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities – borrowings			
Interest-bearing loans and borrowings	24	**48,234**	16,548
Deferred consideration	28	**652**	1,350
Deferred tax liabilities	29	**3,647**	4,376
		52,533	22,274
CURRENT LIABILITIES			
Trade and other payables	23	**36,375**	39,153
Right of return liabilities	5	**11,297**	10,613
Financial liabilities – borrowings			
Interest-bearing loans and borrowings	24	**13,000**	51,746
Invoice discounting	24	**887**	1,490
Deferred and contingent consideration	28	**2,111**	2,518
Tax payable	30	**2,186**	1,435
		65,856	106,955
TOTAL LIABILITIES		**118,389**	129,229
TOTAL EQUITY AND LIABILITIES		**221,906**	236,770

The notes on pages 103 to 135 form part of these Financial Statements.
Registered Company number: 11963910.

The Financial Statements were approved by the Board of Directors on 17 April 2024 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 2023

	Notes	Called up share capital £'000	Share premium £'000	Foreign currency trans-lation reserve £'000	Share option reserve £'000	Retained earnings £'000	Merger reserve £'000	Total equity £'000
BALANCE AT 1 JANUARY 2022		1,017	89,508	3,206	1,454	6,931	5,340	107,456
CHANGES IN EQUITY								
Loss for the year		–	–	–	–	(6,319)	–	(6,319)
Other comprehensive income	22	–	–	6,228	–	–	–	6,228
TOTAL COMPREHENSIVE LOSS		–	–	6,228	–	(6,319)	–	(91)
Share-based payments	22	–	–	–	1,398	–	–	1,398
Share options cancelled	22	–	–	–	(149)	149	–	–
Cash dividends	22	–	–	–	–	(1,222)	–	(1,222)
BALANCE AT 31 DECEMBER 2022		1,017	89,508	9,434	2,703	(461)	5,340	107,541
CHANGES IN EQUITY								
Loss for the year		**–**	**–**	**–**	**–**	**(997)**	**–**	**(997)**
Other comprehensive loss	22	**–**	**–**	**(3,999)**	**–**	**–**	**–**	**(3,999)**
TOTAL COMPREHENSIVE LOSS		**–**	**–**	**(3,999)**	**–**	**(997)**	**–**	**(4,996)**
Share-based payments	22	**–**	**–**	**–**	**972**	**–**	**–**	**972**
Share options forfeited	22	**–**	**–**	**–**	**(453)**	**453**	**–**	**–**
BALANCE AT 31 DECEMBER 2023		**1,017**	**89,508**	**5,435**	**3,222**	**(1,005)**	**5,340**	**103,517**

The notes on pages 103 to 135 form part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

	Notes	**2023 £'000**	2022 £'000
CASH FLOWS FROM OPERATING ACTIVITIES	27	**16,914**	9,888
Interest paid		**(3,647)**	(2,952)
Tax paid		**(602)**	(2,934)
NET CASH FROM OPERATING ACTIVITIES		**12,665**	4,002
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible fixed assets	14	**(1,248)**	(861)
Purchase of property, plant and equipment	15	**(4,502)**	(2,639)
Cash paid in relation to deferred consideration	28	**(673)**	–
Purchase of shareholding in associate and joint venture	16	**–**	(55)
Interest received	9	**240**	108
NET CASH USED IN INVESTING ACTIVITIES		**(6,183)**	(3,447)
CASH FLOW FROM FINANCING ACTIVITIES			
New bank loans in the year	26	**–**	10,334
Bank loan principal repayments in year	26	**(4,014)**	(8,392)
Transaction costs on debt refinancing		**(70)**	(80)
Movement in invoice discounting facility	26	**(603)**	(310)
Dividends paid to equity holders of the Parent	22	**–**	(1,271)
Principal payments on leases	26	**(4,148)**	(3,836)
NET CASH USED IN FINANCING ACTIVITIES		**(8,835)**	(3,555)
Decrease in cash and cash equivalents		**(2,353)**	(3,000)
Cash and cash equivalents at beginning of the year		**22,153**	22,024
Effect of foreign exchange rate changes		**270**	3,129
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	19	**20,070**	22,153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2023

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.

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.

Effective from 1 January 2023, the presentational currency for the Consolidated and Parent Company Financial Statements was changed from USD to GBP to allow for greater transparency for investors and other stakeholders. Accordingly, comparative information is therefore also restated in GBP. The functional currency of both the Group and Parent Company is also GBP. The Consolidated Financial Statements provide comparative information in respect of the year ended 31 December 2022. Balances are presented to the nearest thousand.

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 2025.

The Board considered a base case; a downside scenario; and a reverse stress test to assess the effect of the current economic uncertainties and political landscape. The scenarios are as follows:

Base case
- The Base Case is the Board approved budget which has been updated with the Group's trading to February 2024. The budget was prepared assuming a continuation of the current economic uncertainties and political landscape together with inflationary pressures and higher interest rates across the World.
- The budget includes the small acquisition of A-Optikk in Norway completed in January 2024
- Our markets remain resilient and are trading in line with expectations.
- The Group expects to be able to maintain its budgeted margin throughout 2024.
- The base case includes Capital Expenditure in 2024 for the new third plant in Vietnam.
- In this base case scenario, no covenant breaches or liquidity challenges are expected.

Severe but plausible downside scenario
- The Group has known forward orders for circa three months through to the end of May 2024, therefore our downside scenario updates the base case with an 8.5% reduction in revenue for each month from June 2024. The Directors believe that an 8.5% reduction from the base case is appropriately conservative based on the current trading position, the improved business through EGO and Norville, expected falling global inflation and increasing consumer confidence. The severe but plausible downside assumes some controllable costs savings by a reduction in employee bonuses and commission and a reduction in discretionary spending in administrative costs.
- In this downside scenario, no covenant breaches or liquidity challenges are expected.

The Group has considered the severe but 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 26% drop in forecast revenue, whilst maintaining gross margin. This drop represents a significant reduction against actual trading in 2023 and is a reduction in revenue not previously experienced by the Group. This results in a breach in interest ratio covenant in June 2025. 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 through a reduction in headcount and a reduction in discretionary administration costs being limited to only those determined to be essential, further reducing the time period in which returns can be made allowing for a release of the right of return provision and stopping non-committed capital expenditure from November 2024 onwards.

The Group has considered the reverse stress test and focussed on the risk of not complying with covenants as opposed to liquidity issues. This is on the basis that in a reverse stress test scenario the Group would breach a covenant before cash levels were reduced such that the Group was not able to meet its obligations as they fall due.

The reverse stress test models a breach in the interest ratio covenant in June 2025. In this case the Directors have available further levers within its control to save costs and generate income. Whilst not wholly within management's control, the Group also could discuss amending or waiving covenants with the bank should an unprecedented drop in revenue occur occur. After a disappointing end to 2023 and a slow start to 2024, the recent trend has been more encouraging. This gives further confidence to the achievement of the base case and when combined with the mitigations wholly within management's control the directors consider that the reverse stress test scenario is a remote possibility. After a disappointing end to 2023 and a slow start to 2024, the recent trend has been more encouraging. Current momentum in the business supports delivery of market expectations for 2024. As a result, the directors consider that the reverse stress test is a remote possibility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

2. ACCOUNTING POLICIES CONTINUED

The Group's borrowings, amounting to £44.3m, 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 2025 and initial discussions regarding renewal have already taken place. Formal work on the renewal is expected to take place in Q3 2024 with a view to extending the terms for a further 3 years from October 2025. It is not expected that any bullet payment will become due in October 2025 and the Directors are confident of a successful renewal of the facilities based on the recent granting of the 12-month extension to October 2024 combined with positive discussions with the current lenders regarding future financing beyond the going concern period.

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 2025. Accordingly, the Directors adopt the going concern basis in preparing the financial statements.

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 (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Investments in associate and joint venture

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. A joint venture is a joint arrangement whereby the Group has joint control of the arrangement and has rights to the net assets of the arrangement.

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

Under the equity method, the investments in associate and joint venture are initially recognised at cost. The carrying amount of the investments are 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 other comprehensive income (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 or 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 or
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2023

2. ACCOUNTING POLICIES CONTINUED
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 (except for in cases of a defective product being returned, or the exchanged item is of the same type, quality, condition and price).

The Group recognised a liability where it has historically accepted a right of return. The Group estimates the impact of potential returns from customers based on historical data on returns. A refund liability is recognised for the goods that are expected to be returned. 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

2. ACCOUNTING POLICIES CONTINUED

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

2. ACCOUNTING POLICIES CONTINUED

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.

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 2023 and 31 December 2022, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

2. ACCOUNTING POLICIES CONTINUED

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.

Cash and cash equivalents

For the purpose of the Consolidated Statement of Cash Fows, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2023

2. ACCOUNTING POLICIES CONTINUED
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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

2. ACCOUNTING POLICIES CONTINUED

Foreign currencies

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

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

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

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

The functional 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.

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 jurisdictional netting of deferred tax balances.

New and amended standards and interpretations

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
- Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to IAS 12: Income Taxes

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 2024:

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- Amendments to IFRS 16: Leases
- Amendments to IAS 7: Statement of Cashflows
- Amendments to IFRS 7: Financial Instruments: Disclosures

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2023

2. ACCOUNTING POLICIES CONTINUED
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.

Changes in accounting policies and disclosures
Effective from 1 January 2023, the presentational currency for the Consolidated and Parent Company Financial Statements was changed from USD to GBP to allow for greater transparency for investors and other stakeholders. Accordingly, comparative information is therefore also restated in GBP for this voluntary presentational change. The Consolidated Financial Statements provide comparative information in respect of the year ended 31 December 2022. Income and expenses were translated at the respective average exchange rates prevailing for the relevant period. Assets, liabilities and total equity were translated at closing exchange rates prevailing on the respective balance sheet date.

It is not considered that the change in presentational currency is a material change to the users of these financial statements. A statement of financial position for the periods ended 31 December 2023, 31 December 2022 and 31 December 2021 is shown below to aid comparability.

	2023 £'000	2022 £'000 Restated	2021 £'000 Restated
Assets			
Non-current assets			
Goodwill	**55,578**	55,578	56,206
Intangible assets	**29,813**	36,170	40,298
Property, plant and equipment	**19,001**	17,424	18,182
Right-of-use assets	**16,599**	19,683	16,482
Investments in associate and joint venture	**98**	112	36
Deferred tax assets	**2,826**	1,835	2,041
	123,915	130,802	133,245
Current assets			
Inventories	**40,848**	48,158	41,199
Trade and other receivables	**35,855**	31,144	31,242
Tax receivables	**386**	3,681	2,566
Cash and cash equivalents	**20,070**	22,153	22,024
	97,159	105,136	97,031
Assets held for sale	**832**	832	–
Total assets	**221,906**	236,770	230,276

	2023 £'000	2022 £'000 Restated	2021 £'000 Restated
Equity			
Shareholders' equity			
Called up share capital	**1,017**	1,017	1,017
Share premium	**89,508**	89,508	89,508
Foreign currency translation reserve	**5,435**	9,434	3,206
Share option reserve	**3,222**	2,703	1,454
Merger reserve	**5,340**	5,340	5,340
Retained earnings	**(1,005)**	(461)	6,931
Total equity	**103,517**	107,541	107,456
Liabilities			
Non-current liabilities			
Financial liabilities – borrowings			
Interest-bearing loans and borrowings	**48,234**	16,548	51,210
Deferred consideration	**652**	1,350	2,300
Deferred tax liabilities	**3,647**	4,376	7,944
	52,533	22,274	61,454
Current liabilities			
Trade and other payables	**36,375**	39,153	39,459
Right of return liabilities	**11,297**	10,613	8,215
Financial liabilities – borrowings			
Interest-bearing loans and borrowings	**13,000**	51,746	9,835
Invoice discounting	**887**	1,490	1,800
Deferred and contingent consideration	**2,111**	2,518	–
Tax payable	**2,186**	1,435	2,057
	65,856	106,955	61,366
Total liabilities	**118,389**	129,229	122,820
Total equity and liabilities	**221,906**	236,770	230,276

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

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 CGUs 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 CGUs 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, with mitigations such as price structuring detailed on pages 61 to 63. The carrying amount of goodwill at 31 December 2023 was £55,578,000 (2022: £55,578,000). 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

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. During the period, new information was identified providing a link between a returned item and the date of its original sale. Management considers this new information provides a more reliable estimate and it has therefore been used to determine the liability and associated asset required as at 31 December 2023. In addition, a change in commercial policy has been made in relation to the period over which returns are accepted, with this under the control of the Group, and this applied to the current period end position. This change in estimate arises from a refinement in methodology and has been recognised through the current year profit and loss in line with IAS 8.

The right of return liability at the period end is £11,297,000 (2022: £10,613,000) with an associated right of return asset (held within inventory) of £1,415,000 (2022: £1,596,000). If the new information and change in policy were applied to the right of return liability as at 31 December 2022, a liability of £10,989,000 and an associated inventory asset of £1,389,000 would have been recognised.

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 2023 is £596,000 (2022: £584,000). 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.

4. NON STATUTORY MEASURES

When reviewing performance, the Directors use alternative performance measures in order to give meaningful year on year comparison. These alternative performance measures are:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

4. NON STATUTORY MEASURES CONTINUED

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:

	2023 £'000	2022 £'000
Operating profit/(loss)	**2,888**	(1,186)
Add back: Amortisation	**6,910**	6,893
Add back: Depreciation	**6,129**	6,744
EBITDA	**15,927**	12,451
Add back: Share-based payment expense	**972**	1,398
Add back: Earnout on acquisition	**1,140**	1,544
Underlying EBITDA	**18,039**	15,393
Add back: Purchase Price Allocation ('PPA') release on inventory through cost of sales	**–**	132
Adjusted Underlying EBITDA	**18,039**	15,525
Less: Depreciation	**(6,129)**	(6,744)
Less: Interest (excluding amortisation of loan arrangement fees)	**(3,774)**	(2,201)
Adjusted Profit Before Tax	**8,136**	6,580
Less: Amortisation of loan arrangement fees	**(141)**	(786)
Less: Amortisation	**(6,910)**	(6,893)
Less: Share-based payment expense	**(972)**	(1,398)
Less: Earnout on acquisition	**(1,140)**	(1,544)
Less: Purchase Price Allocation ('PPA') release on inventory through cost of sales	**–**	(132)
Less: Non-underlying costs	**(58)**	(1,466)
Add/(less): Exchange adjustment on borrowings	**1,312**	(2,044)
(Less)/add: Share of (loss)/profit of associate and joint venture	**(12)**	19
Profit/(loss) before income tax	**215**	(7,664)

Adjusted Profit Before Tax is used to calculate basic and diluted Adjusted PBT per share as per note 12. Underlying operating expenses, as referenced on page 19, 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.

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:

	2023 £'000	2022 £'000
United Kingdom	**24,132**	21,238
Europe (excluding UK)	**94,572**	93,164
North America	**69,305**	69,678
South America	**1,825**	1,125
Asia	**4,678**	6,454
Africa	**515**	442
Australia	**8,265**	8,856
	203,292	200,957

For the year ended 31 December 2023 the Group had one customer which accounted for more than 10% of the Group's revenue (2022: None). The revenue generated from this customer was £21,769,000. The revenue from this customer is generated across both the Frames & Optics and Manufacturing (previously Wholesale) reportable segments identified in note 6.

b) Right of return assets and liabilities

	2023 £'000	2022 £'000
Right of return asset	**1,415**	1,596
Right of return liability	**(11,297)**	(10,613)

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 statement of financial position. The right of return liability is presented as a current liability as the timing of its utilisation is dependent on customer returns which varies period to period and is outside of the Group's control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

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
- Manufacturing (previously 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.

The reportable segments subject to disclosure are consistent with the organisational model adopted by the Group during the financial year ended 31 December 2023 and are as follows:

	Frames and Optics £'000	Manufacturing (previously Wholesale) £'000	Lenses £'000	Total before adjustments and eliminations £'000	Adjustments and eliminations £'000	Total £'000
Revenue						
External	178,968	20,169	4,155	203,292	–	**203,292**
Internal	4,681	1,848	316	6,845	(6,845)	**–**
	183,649	22,017	4,471	210,137	(6,845)	**203,292**
Cost of sales	(92,871)	(11,712)	(2,509)	(107,092)	7,347	**(99,745)**
Gross profit	90,778	10,305	1,962	103,045	502	**103,547**
Expenses	(74,606)	(5,013)	(3,407)	(83,026)	(4,594)	**(87,620)**
Depreciation	(4,826)	(698)	(556)	(6,080)	(49)	**(6,129)**
Amortisation	(6,248)	(643)	(19)	(6,910)	–	**(6,910)**
Operating profit/(loss)	5,098	3,951	(2,020)	7,029	(4,141)	**2,888**
Exchange adjustment on borrowings						**1,312**
Non-underlying costs						**(58)**
Finance costs						**(4,155)**
Finance income						**240**
share of loss of associate and joint venture						**(12)**
Taxation						**(1,212)**

	Frames and Optics £'000	Manufacturing (previously Wholesale) £'000	Lenses £'000	Total before adjustments and eliminations £'000	Adjustments and eliminations £'000	Total £'000
Loss for the year						**(997)**

	Frames and Optics £'000	Manufacturing (previously Wholesale) £'000	Lenses £'000	Total before adjustments and eliminations £'000	Adjustments and eliminations £'000	Total £'000
Total assets	320,836	64,585	9,672	395,093	(176,013)	**219,080**
Total liabilities	(182,225)	(5,543)	(14,408)	(202,176)	151,741	**(50,435)**
Deferred tax asset						**2,826**
Current tax liability						**(2,186)**
Deferred tax liability						**(3,647)**
Borrowings						**(62,121)**
Group net assets						**103,517**
Other disclosures						
Capital additions	1,980	3,592	178	5,750	–	**5,750**

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	Manufacturing (previously Wholesale) £'000	Lenses £'000	Total before adjustments and eliminations £'000	Adjustments and eliminations £'000	Total £'000 Restated
Revenue						
External	173,539	23,907	3,511	200,957	–	**200,957**
Internal	5,180	4,080	176	9,436	(9,436)	**–**
	178,719	27,987	3,687	210,393	(9,436)	**200,957**
Cost of sales	(92,040)	(15,288)	(2,830)	(110,158)	8,061	**(102,097)**
Gross profit	86,679	12,699	857	100,235	(1,375)	**98,860**
Expenses	(74,023)	(5,035)	(4,240)	(83,298)	(3,111)	**(86,409)**
Depreciation	(5,279)	(802)	(654)	(6,735)	(9)	**(6,744)**
Amortisation	(5,991)	(882)	(20)	(6,893)	–	**(6,893)**
Operating profit/(loss)	1,386	5,980	(4,057)	3,309	(4,495)	**(1,186)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

6. SEGMENT INFORMATION CONTINUED

	Frames and Optics £'000	Manufacturing (previously Wholesale) £'000	Lenses £'000	Total before adjustments and eliminations £'000	Adjustments and eliminations £'000	**Total £'000 Restated**
Exchange adjustment on borrowings						**(2,044)**
Non-underlying costs						**(1,466)**
Finance costs						**(3,095)**
Finance income						**108**
Share of profit of associate and joint venture						**19**
Taxation						**1,345**
Loss for the year						**(6,319)**
Total assets	327,596	70,197	10,470	408,263	(173,328)	**234,935**
Total liabilities	(179,578)	(12,523)	(12,887)	(204,988)	151,354	**(53,634)**
Deferred tax asset						**1,835**
Current tax liability						**(1,435)**
Deferred tax liability						**(4,376)**
Borrowings						**(69,784)**
Group net assets						**107,541**
Other disclosures						
Capital additions	2,286	452	762	3,500	–	**3,500**

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.

Adjusted Underlying EBITDA by segment

	2023 £'000	2022 £'000
Frames and Optics	**17,620**	14,772
Manufacturing (previously Wholesale)	**5,581**	8,135
Lenses	**(1,445)**	(3,382)
Adjustments and eliminations	**(3,717)**	(4,000)
	18,039	15,525

Non-current operating assets

	2023 £'000	2022 £'000
United Kingdom	**7,376**	8,117
Europe	**79,302**	91,211
North America	**6,938**	4,020
Asia	**27,375**	25,507
	120,991	128,855

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

7. EMPLOYEES AND DIRECTORS

	2023 £'000	2022 £'000
Wages and salaries	**48,482**	45,624
Social security costs	**8,809**	7,781
Pension costs	**532**	577
Share-based payment expense	**972**	1,398
	58,795	55,380

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

	2023	2022
Frames and Optics	**669**	669
Manufacturing (previously Wholesale)	**928**	961
Lenses	**76**	102
	1,673	1,732

Directors' remuneration during the year was as follows:

	2023 £'000	2022 £'000
Directors' salaries	**1,028**	735
Directors' pension contributions	**13**	13
Share options	**–**	–
	1,041	748

Information regarding the highest paid Director is as follows:

	2023 £'000	2022 £'000
Salary	**286**	251
Pension contributions	**5**	6
Share options	**–**	–
Total remuneration	**291**	257

The number of Directors to whom employer pension contributions were made by the Group during year is three (2022: three). 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 79 to 83.

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:

	2023 £'000	2022 £'000
Restructuring costs	**58**	413
Acquisition costs	**–**	890
Other professional service costs	**–**	163
	58	1,466

Restructuring costs of £58,000 were incurred in the period in relation to the integration of Inspecs USA with Tura. In the comparative period, £413,000 were incurred in the period in relation to the closure of International Eyewear Limited and INSPECS Asia Limited. Acquisition costs of £890,000 were incurred during the prior period relating to prospective acquisition targets. Other professional service costs of £163,000 incurred in 2022 relate to accounting transition and valuation following the acquisition of BoDe Design GmbH and EGO Eyewear Limited in December 2021.

9. FINANCE COSTS AND FINANCE INCOME

	2023 £'000	2022 £'000
Finance costs		
Bank loan interest	**3,377**	1,784
Invoice discounting interest and charges	**136**	76
Loan transaction costs	**138**	787
Lease interest	**504**	448
Total finance costs	**4,155**	3,095
Finance income		
Interest receivable	**240**	108

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

10. PROFIT/(LOSS) BEFORE INCOME TAX

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

	2023 £'000	2022 £'000
Cost of inventories recognised as expense	73,508	74,415
Short-term leases	434	393
Depreciation – owned assets (note 15)	2,335	3,111
Depreciation – right-of-use assets (note 25)	3,794	3,633
Amortisation – intangibles (note 14)	6,910	6,893

	2023 £'000	2022 £'000
Fees payable to the Company's auditor for audit services:		
Audit of the Company and Group accounts	784	830
Audit of the subsidiaries	699	698
Total audit fees	1,483	1,528
Other assurance services	5	–
Total non-audit fees	5	–
Total auditor's remuneration	1,488	1,528

11. INCOME TAX

Analysis of tax expense:

	2023 £'000	2022 £'000
Current tax:		
Current tax on profits for the year	88	–
Overseas current tax expense	2,979	1,964
Adjustment in respect of prior years	(135)	(820)
Total current tax	2,932	1,144
Deferred tax: (see note 29)		
Deferred tax income relating to the origination and reversal of timing differences	(1,555)	(2,396)
Effect of changes in tax rates	(62)	(87)
Adjustment in respect of prior years	(103)	(6)
Total deferred tax	(1,720)	(2,489)
Total tax charge/(credit) reported in the consolidated income statement	1,212	(1,345)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2023

11. INCOME TAX CONTINUED

Factors affecting the tax charge/(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:

	2023 £'000	2022 £'000
Profit/(loss) before income tax	**215**	(7,664)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 23.5% (2022: 19%)	**51**	(1,456)
Effects of:		
Non-deductible expenses	**202**	946
Increase in provision for uncertain tax liabilities	**12**	123
Share-based payment	**113**	371
Different tax rate for overseas subsidiaries	**(208)**	(2,478)
Tax rate changes	**(58)**	(87)
Overseas tax charges	**325**	–
Amounts not recognised for deferred tax	**603**	2,007
Adjustments in respect of prior year	**172**	(771)
Tax charge/(credit)	**1,212**	(1,345)

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

As a result of the increase in the UK corporation tax rate from 19% to 25% from 1 April 2023, the standard rate of corporation tax in the UK for the year ended 31 December 2023 is 23.5%

Pillar Two legislation has been enacted in certain jurisdictions in which the Group operates. However, this legislation does not apply to the Group as its consolidated revenue is lower than €750 million.

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 2023 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.

Basic adjusted PBT per share figures are calculated by dividing adjusted PBT for the year by the weighted average number of Ordinary Shares outstanding during the year. Diluted adjusted PBT 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 2023	Basic weighted average number of Ordinary Shares ('000)	Total (loss)/ earnings (£'000)	(Loss)/earnings per share (pence)
Basic loss per share	**101,672**	**(997)**	**(0.98)**
Diluted loss per share	**101,672**	**(997)**	**(0.98)**
Basic adjusted PBT per share	**101,672**	**8,136**	**8.00**
Diluted adjusted PBT per share	**107,246**	**8,136**	**7.59**

Year ended 31 December 2022	Basic weighted average number of Ordinary Shares ('000)	Total (loss)/ earnings (£'000)	(Loss)/earnings per share (pence)
Basic loss per share	101,672	(6,319)	(6.21)
Diluted loss per share	101,672	(6,319)	(6.21)
Basic adjusted PBT per share	101,672	6,580	6.47
Diluted adjusted PBT per share	107,554	6,580	6.12

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

13. GOODWILL

	£'000
Cost	
At 1 January and 31 December 2023	**55,578**
Net Book Value	
At 31 December 2023	**55,578**

	£'000
Cost	
At 1 January 2022	56,206
Adjustment in respect of cases valuation	(628)
At 31 December 2022	55,578
Net Book Value	
At 31 December 2022	55,578

During the comparative period, management re-assessed the valuation of case inventory in line with IAS 2. It was 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 was not considered material to require restatement of prior year comparatives, an adjustment was 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 (£9,516,000 as at 31 December 2023), Eschenbach Group GmbH (£42,884,000 as at 31 December 2023), BoDe Design GmbH (£807,000 as at 31 December 2023), EGO Eyewear Limited (£2,181,000 as at 31 December 2023), INSPECS Limited (£173,000 as at 31 December 2023) and INSPECS USA LC (£17,000 as at 31 December 2023) for impairment testing.

The recoverable amount of each (CGU) 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 2024 have been prepared based on Board approved budgets for 2024. Financial years 2025 to 2028 were forecasted based on specific growth rates for each (CGU) based on synergies within the expanding Group of companies. From 2029 onwards we have assumed a 2% terminal growth rate.

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. For material goodwill balances, discount rates used for each value in use calculation along with relevant sensitivity analyses are detailed as follows:

Twenty20 Limited

The discount rate applied to the cash flow projections was 11.7%. For the period 2025 to 2028, the following assumptions have been used: 3% per annum revenue growth, consistent gross profit margin and 3% per annum increase in administrative expenses. Based on management's assessment there is no impairment adjustment required on goodwill.

To recognise an impairment on the discount rate alone, the discount rate would need to exceed 17.8%. If the terminal growth rate was decreased to 1.0%, the discount rate applied to the cash flow projections would need to exceed 17.2% before an impairment would be recognised.

Eschenbach Holdings GmbH

The discount rate applied to the cash flow projections was 12.4%. For the period 2025 to 2028, the following assumptions have been used: 5% per annum revenue growth based on group synergies expected to be delivered, consistent gross profit margin and 2% per annum increase in administrative expenses. Based on management's assessment there is no impairment adjustment required on goodwill.

To recognise an impairment on the discount rate alone, the discount rate would need to exceed 19.8%. To recognise an impairment on the revenue growth rate 2025-2028 alone, the revenue growth rate would need to drop below 2.0% per year.

BoDe Design GmbH

The discount rate applied to the cash flow projections was 14.1%. For the period 2025 to 2028, the following assumptions have been used: 5% per annum revenue growth based on group synergies expected to be delivered, consistent gross profit margin and 3% per annum increase in administrative expenses. Based on management's assessment there is no impairment adjustment required on goodwill.

To recognise an impairment on the discount rate alone, the discount rate would need to exceed 33.7%. To recognise an impairment on the revenue growth rate 2025-2028 alone, the revenue growth rate would need to drop below 1.5% per year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2023

13. GOODWILL CONTINUED
EGO Eyewear Limited
The discount rate applied to the cash flow projections was 10.6%. For the period 2025 to 2028, the following assumptions have been used: 5% per annum revenue growth based on group synergies expected to be delivered, consistent gross profit margin and 5% per annum increase in administrative expenses. Based on management's assessment there is no impairment adjustment required on goodwill.

To recognise an impairment on the discount rate alone, the discount rate would need to exceed 15.4%. To recognise an impairment on the revenue growth rate 2025-2028 alone, the revenue growth rate would need to drop below 1.8% per year.

14. INTANGIBLE ASSETS

	Patents and licences £'000	Customer relationships £'000	Trademarks £'000	Computer software £'000	Construction in progress £'000	Total £'000
Cost						
At 1 January 2023	**384**	**37,561**	**14,375**	**3,461**	**–**	**55,781**
Additions	**49**	**–**	**–**	**938**	**261**	**1,248**
Disposals	**(91)**	**–**	**–**	**(201)**	**–**	**(292)**
Transfers	**–**	**–**	**–**	**48**	**(48)**	**–**
Exchange differences	**(22)**	**(627)**	**(281)**	**(92)**	**(1)**	**(1,023)**
At 31 December 2023	**320**	**36,934**	**14,094**	**4,154**	**212**	**55,714**
Amortisation						
At 1 January 2023	**297**	**11,989**	**5,938**	**1,387**	**–**	**19,611**
Amortisation for the year	**56**	**2,808**	**2,954**	**1,092**	**–**	**6,910**
Disposals	**(91)**	**–**	**–**	**(201)**	**–**	**(292)**
Exchange differences	**(18)**	**(125)**	**(124)**	**(61)**	**–**	**(328)**
At 31 December 2023	**244**	**14,672**	**8,768**	**2,217**	**–**	**25,901**
Net Book Value						
At 31 December 2023	**76**	**22,262**	**5,326**	**1,937**	**212**	**29,813**

	Patents and licences £'000	Customer relationships £'000	Trademarks £'000	Computer software £'000	Construction in progress £'000	Total £'000
Cost						
At 1 January 2022	270	36,116	13,661	2,496	585	53,128
Additions	76	–	–	785	–	861
Disposals	–	–	–	–	(628)	(628)
Exchange differences	38	1,445	714	180	43	2,420
At 31 December 2022	384	37,561	14,375	3,461	–	55,781
Amortisation						
At 1 January 2022	191	8,846	2,785	1,008	–	12,830
Amortisation for the year	77	2,996	2,901	291	628	6,893
Disposals	–	–	–	–	(628)	(628)
Exchange differences	29	147	252	88	–	516
At 31 December 2022	297	11,989	5,938	1,387	–	19,611
Net Book Value						
At 31 December 2022	87	25,572	8,437	2,074	–	36,170

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

	2023		2022	
Intangible asset	£'000	Remaining amortisation period (years)	£'000	Remaining amortisation period (years)
Eschenbach customer relationship with independents	**9,276**	**7**	10,838	8
EGO customer relationship with a single customer	**4,046**	**6**	4,968	7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2023

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 2023	**10,156**	**643**	**10,569**	**4,112**	**1,061**	**521**	**27,062**
Additions	**210**	**29**	**536**	**28**	**172**	**3,527**	**4,502**
Disposals	**–**	**–**	**(249)**	**(112)**	**(63)**	**–**	**(424)**
Transfers	**378**	**–**	**63**	**30**	**–**	**(471)**	**–**
Exchange differences	**(265)**	**(42)**	**(737)**	**(241)**	**(33)**	**(86)**	**(1,404)**
At 31 December 2023	**10,479**	**630**	**10,182**	**3,817**	**1,137**	**3,491**	**29,736**
Depreciation							
At 1 January 2023	**1,294**	**277**	**5,564**	**1,950**	**553**	**–**	**9,638**
Charge for the year	**510**	**30**	**1,081**	**485**	**229**	**–**	**2,335**
Disposals	**–**	**–**	**(235)**	**(94)**	**(59)**	**–**	**(388)**
Exchange differences	**(73)**	**(32)**	**(568)**	**(160)**	**(17)**	**–**	**(850)**
At 31 December 2023	**1,731**	**275**	**5,842**	**2,181**	**706**	**–**	**10,735**
Net Book Value							
At 31 December 2023	**8,748**	**355**	**4,340**	**1,636**	**431**	**3,491**	**19,001**

	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	9,091	640	8,450	2,752	724	2,678	24,335
Additions	475	–	430	1,142	275	316	2,638
Disposals	–	(20)	(61)	(205)	(64)	–	(350)
Assets held for sale (note 20)	(900)	–	–	–	–	–	(900)
Transfers	1,110	–	1,269	–	112	(2,491)	–
Exchange differences	380	23	481	423	14	18	1,339
At 31 December 2022	10,156	643	10,569	4,112	1,061	521	27,062
Depreciation							
At 1 January 2022	790	236	4,020	673	434	–	6,153
Charge for the year	497	50	1,262	1,137	165	–	3,111
Eliminated on disposals	–	(20)	(27)	(141)	(55)	–	(243)
Assets held for sale (note 20)	(68)	–	–	–	–	–	(68)
Exchange differences	75	11	309	281	9	–	685
At 31 December 2022	1,294	277	5,564	1,950	553	–	9,638
Net Book Value							
At 31 December 2022	8,862	366	5,005	2,162	508	521	17,424

As at 31 December 2023 the Group had capital commitments of £584,000 in respect of property, plant and equipment (2022: £206,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

16. INVESTMENTS IN ASSOCIATE AND JOINT VENTURE

Share of net assets of associate and joint venture	Interest in associate and joint venture £'000
Cost	
At 1 January 2023	**112**
Share of loss	**(12)**
Exchange difference	**(2)**
At 31 December 2023	**98**
Net Book Value	
At 31 December 2023	**98**

Share of net assets of associate and joint venture	Interest in associate and joint venture £'000
Cost	
At 1 January 2022	**36**
Additions	**73**
Share of profit	**19**
Exchange difference	**(16)**
At 31 December 2022	**112**
Net book value	
At 31 December 2022	**112**

	2023 £'000	2022 £'000
Revenue	**15**	81
Expenses	**(27)**	(62)
Profit before tax	**(12)**	19
Income tax	**–**	
Share of profit of associate and joint venture for the year	**(12)**	19

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.

17. INVENTORIES

	2023 £'000	2022 £'000
Raw materials	**2,710**	3,604
Work in progress	**1,797**	1,658
Finished goods	**36,341**	42,896
	40,848	48,158

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

	2023 £'000	2022 £'000
Finished goods – Right of return asset	**1,415**	1,596

Inventories are stated after provisions for impairment of £7,620,000 (2022: £7,066,000).

18. TRADE AND OTHER RECEIVABLES

	2023 £'000	2022 £'000
Current:		
Trade receivables	**24,168**	22,670
Prepayments	**2,193**	2,267
Other receivables	**9,494**	6,207
	35,855	31,144

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

18. TRADE AND OTHER RECEIVABLES CONTINUED

Part of the Group uses an invoice factoring facility to prefinance certain trade receivables and assist with trade receivables collection. Other receivables include £4,710,000 (2022: £4,432,000) 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:

	2023 £'000	2022 £'000
Invoiced in last month	**9,901**	15,265
1–2 months	**6,793**	3,922
2–3 months	**3,523**	1,949
Over 3 months	**3,951**	1,534
	24,168	22,670

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

	2023 £'000	2022 £'000
At 1 January	**640**	411
Movement in the year	**(12)**	207
Exchange adjustment	**(10)**	22
At 31 December	**618**	640

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 recent periods 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

	2023 £'000	2022 £'000
Cash at bank and in hand	**20,070**	22,153
	20,070	22,153

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ('RMB') amounted to £2,085,000 (2022: £2,615,000). 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.

20. ASSETS HELD FOR SALE

The carrying amount of assets classified as held for sale at 31 December 2023 is £832,000 (2022: £832,000). Assets held for sale relate to the Magdala Road property previously used as the manufacturing facility by Norville. The sale process of the site was delayed due to a registration issue of a small parcel of land belonging to the site. The Group has recently sent a contract for the sale to the purchaser which is expected to be signed in the next few weeks which contains a non-refundable up-front deposit and a delayed completion date of 31 October 2024. The sales proceeds less costs to sell exceed the carrying value of the asset. This asset is part of the lenses reporting segment (note 6).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

21. CALLED UP SHARE CAPITAL

Authorised and issued share capital:

Number	Class	Nominal value	2023 £'000	2022 £'000
101,671,525 (2022: 101,671,525)	Ordinary	£0.01	**1,017**	1,017
			1,017	1,017

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.

	2023 £'000	2022 £'000
At 1 January and 31 December	**89,508**	89,508

Foreign currency translation reserve

This reserve records the foreign currency translation adjustments on consolidation. Effective from 1 January 2023, the presentational currency for the Consolidated Financial Statements was changed from USD to GBP. This has led to a change in the foreign currency translation reserve, which when previously presented in USD included foreign currency translation adjustments arising on the translation from the functional currency to the presentational currency.

	2023 £'000	2022 £'000
At 1 January	**9,434**	3,206
Other comprehensive income	**(3,999)**	6,228
At 31 December	**5,435**	9,434

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.

	2023 £'000	2022 £'000
At 1 January	**2,703**	1,454
Share-based payment charge	**972**	1,398
Share options forfeited	**(453)**	–
Share options cancelled	**–**	(149)
At 31 December	**3,222**	2,703

The share-based payment charge for the year is recognised against the reserve as per IFRS 2 Share-Based Payments. 695,000 share options have been forfeited during the period as a result of employees leaving before the option vesting date. Upon forfeiture of share options, the related share option reserve is recycled into retained earnings, resulting in the movement of £453,000 from the share option reserve to retained earnings. During 2022, 150,000 share options were cancelled. 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 £149,000 from the share option reserve to retained earnings in 2022.

Merger reserve

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

	2023 £'000	2022 £'000
At 1 January and 31 December	**5,340**	5,340

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

22. RESERVES CONTINUED

Retained earnings

	2023 £'000	2022 £'000
At 1 January	**(461)**	6,931
Loss for the year	**(997)**	(6,319)
Share options forfeited	**453**	–
Share options cancelled	**–**	149
Cash dividends	**–**	(1,222)
At 31 December	**(1,005)**	(461)

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

23. TRADE AND OTHER PAYABLES

	2023 £'000	2022 £'000
Current:		
Trade payables	**21,368**	22,338
Other payables	**449**	464
Social security and other taxes	**3,379**	4,232
Royalties	**4,255**	4,073
Accruals and deferred income	**6,924**	8,046
	36,375	39,153

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

	2023 £'000	2022 £'000
Current:		
Invoice discounting	**887**	1,490
Bank loans	**9,650**	48,112
Lease liabilities	**3,350**	3,634
	13,000	51,746

	2023 £'000	2022 £'000
Non-current:		
Bank loans	**33,733**	186
Lease liabilities	**14,501**	16,362
	48,234	16,548

At the balance sheet date, the available invoice discounting facility was £2,113,000 (2022: £1,510,000). The invoice discounting facility bears interest at 2.25% over base rate (2022: 2.25%). 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 resulted in the re-classification of the loan balance (£37.8m) to a current liability in line with IAS 1. Subsequently, HSBC waived the cashflow cover and leverage covenants at 31 December 2022. There is no such technical breach as of 31 December 2023.

On 27 October 2021, the Group entered a new multi-currency term loan with HSBC for $18,700,000. Repayments under this loan are £750,000 per quarter plus interest, with the liability standing at $9,491,000 as at 31 December 2023. 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 2025, having been extended for a further 12 months during the period.

The Group also holds a multi-currency revolving credit facility loan amounting to £29,250,000 as at 31 December 2023. 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 2025, with this facility also having been extended for a further 12 months during the period.

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for the year ended 31 December 2023

24. FINANCIAL LIABILITIES – BORROWINGS CONTINUED

A further loan is held amounting to $8,203,000 as at 31 December 2023, on which no capital repayments are required until maturity of the loan. This 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.

25. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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 2023	**21,624**	**542**	**2,987**	**25,153**
Additions	**1,111**	**455**	**323**	**1,889**
End of lease	**(1,423)**	**(96)**	**(234)**	**(1,753)**
Exchange differences	**(479)**	**(15)**	**(34)**	**(528)**
At 31 December 2023	**20,833**	**886**	**3,042**	**24,761**
Depreciation				
At 1 January 2023	**4,048**	**183**	**1,239**	**5,470**
Charge for the year	**2,443**	**186**	**1,165**	**3,794**
Eliminated on end of lease	**(646)**	**(96)**	**(234)**	**(976)**
Exchange differences	**(110)**	**(6)**	**(10)**	**(126)**
At 31 December 2023	**5,735**	**267**	**2,160**	**8,162**
Net Book Value				
At 31 December 2023	**15,098**	**619**	**882**	**16,599**

During 2023, the Group entered into a sub-lease with regards to one of its German properties. The impact of this was a reduction in the right of use net book value of £777,000, classified as end of lease in the above table. A corresponding financial asset was recognised and is included as part of trade and other receivables.

	Leasehold properties £'000	Plant & machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2022	17,856	495	1,727	20,078
Additions	4,391	280	1,695	6,366
End of lease	(1,334)	(265)	(563)	(2,162)
Exchange differences	711	32	128	871
At 31 December 2022	21,624	542	2,987	25,153
Depreciation				
At 1 January 2022	2,835	205	556	3,596
Charge for the year	2,374	209	1,050	3,633
Eliminated on end of lease	(1,340)	(253)	(476)	(2,069)
Exchange differences	179	22	109	310
At 31 December 2022	4,048	183	1,239	5,470
Net Book Value				
At 31 December 2022	17,576	359	1,748	19,683

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

	2023 £'000	2022 £'000
At 1 January	**19,996**	16,571
Additions	**1,889**	6,367
Interest charge	**495**	438
Payments	**(4,148)**	(3,836)
Reduction in lease terms	**–**	(60)
Exchange adjustment	**(381)**	516
As at 31 December	**17,851**	19,996
Current	**3,350**	3,634
Non-current	**14,501**	16,362

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

26. CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

	1 January 2023 £'000	Additional transaction fees on loan extension £'000	Repayments £'000	Reclassification between current and non-current £'000	Amortisation of loan arrangement fees £'000	New leases £'000	Foreign exchange on consolidation	31 December 2023 £'000
Due in one year								
Bank loans	**(48,112)**	**281**	**4,014**	**33,979**	**(138)**	**–**	**326**	**(9,650)**
Lease liabilities	**(3,634)**	**–**	**4,148**	**(3,843)**	**–**	**–**	**(21)**	**(3,350)**
Invoice discounting facility	**(1,490)**	**–**	**603**	**–**	**–**	**–**	**–**	**(887)**
Due after one year								
Bank loans	**(186)**	**–**	**–**	**(33,979)**	**–**	**–**	**432**	**(33,733)**
Lease liabilities	**(16,362)**	**–**	**–**	**3,843**	**–**	**(1,889)**	**(93)**	**(14,501)**
Total liabilities from financing activities	**(69,784)**	**281**	**8,765**	**–**	**(138)**	**(1,889)**	**644**	**(62,121)**

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 2022 £'000	New loans £'000	Repayments £'000	Reclassification between current and non-current £'000	Amortisation of loan arrangement fees £'000	New leases £'000	Foreign exchange on consolidation	31 December 2022 £'000
Due in one year								
Bank loans	(7,385)	(7,100)	5,498	(37,257)	(787)	–	(1,081)	(48,112)
Lease liabilities	(2,450)	–	3,836	(4,847)	–	–	(173)	(3,634)
Invoice discounting facility	(1,800)	–	310	–	–	–	–	(1,490)
Due after one year								
Bank loans	(37,088)	(3,234)	2,894	37,257	–	–	(15)	(186)
Lease liabilities	(14,122)	–	–	4,847	–	(6,367)	(720)	(16,362)
Total liabilities from financing activities	(62,845)	(10,334)	12,538	–	(787)	(6,367)	(1,989)	(69,784)

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.

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for the year ended 31 December 2023

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	2023 £'000	2022 £'000
Profit/(loss) before income tax		**215**	(7,664)
Adjustments for:			
Depreciation	15, 25	**6,129**	6,744
Amortisation	14	**6,910**	6,893
Share of loss/(profit) of associate and joint venture	16	**12**	(19)
Share-based payment	32	**972**	1,398
Earnout on acquisitions	28	**–**	1,544
Exchange adjustment on borrowings	33	**(1,312)**	2,044
Cases valuation adjustment against goodwill	13	**–**	628
Loss on disposal of non-current assets	14, 15	**–**	105
Finance costs	9	**4,155**	3,095
Finance income	9	**(240)**	(108)
Changes in working capital			
Decrease/(increase) in inventories	17	**7,310**	(6,959)
(Increase)/decrease in trade and other receivables	18	**(4,711)**	97
(Decrease)/increase in trade and other payables	23	**(2,526)**	2,090
Cash flows from operating activities		**16,914**	9,888

28. DEFERRED AND CONTINGENT CONSIDERATION

Deferred and contingent considerations payable relate to the acquisitions of BoDe Design GmbH and EGO Eyewear Limited. The split of the deferred and contingent consideration between each entity is as follows:

	2023 £'000	2022 £'000
EGO Eyewear Limited	**652**	1,350
Total non-current deferred consideration	**652**	1,350

	2023 £'000	2022 £'000
EGO Eyewear Limited	**700**	675
Total current deferred consideration	**700**	675
BoDe Design GmbH	**467**	566
EGO Eyewear Limited	**944**	1,277
Total current contingent consideration	**1,411**	1,843
Total current deferred and contingent consideration	**2,111**	2,518

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 £1,140,000 (2022: £1,544,000) in relation to the earnout payable as a result of performance for the year to 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

29. DEFERRED TAX

Deferred tax assets and liabilities, before offset of balances within countries are as follows:

	Consolidated SOFP 2023 £'000	Consolidated Income Statement 2023 £'000	Consolidated SOFP 2022 £'000
Unused trade losses	**3,099**	**(173)**	2,926
Other short term timing differences	**2,222**	**306**	2,528
Right of return	**941**	**96**	1,037
Leases	**346**	**(241)**	105
Intangible assets	**(6,400)**	**(1,570)**	(7,970)
Property, plant and equipment	**(1,029)**	**(138)**	(1,167)
Deferred tax (expense)/benefit		**(1,720)**	
Net deferred tax liability	**(821)**		(2,541)

Analysed in the Statement of Financial Position, after offset of balances within countries, as:

	2023 £'000	2022 £'000 Restated
Deferred tax asset	**2,826**	1,835
Deferred tax liability	**(3,647)**	(4,376)
	(821)	(2,541)

The comparative figures above have been restated, please refer to note 35 for further details.

The deferred tax asset of the Group includes £3,099,000 (2022: £2,926,000) in respect of subsidiary entities who have suffered a loss in the current period and for which the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing temporary differences. This has been recognised to the extent that it is expected to be utilised against future profits.

In addition to the deferred tax assets and liabilities recognised, the Group has tax losses that arose in subsidiary entities of £13,422,000 (2022: £11,032,000) 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, due to insufficient forecasted profits within the next 5 years.

30. TAX RECEIVABLE AND PAYABLE

	2023 £'000	2022 £'000
Corporation tax receivable	**386**	3,681
Total tax receivable	**386**	3,681

	2023 £'000	2022 £'000
Corporation tax payable	**1,590**	851
Uncertain tax liabilities	**596**	584
Total tax payable	**2,186**	1,435

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

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 2023, a right-of-use asset with net book value of £120,000 (2022: £107,000) and lease liability of £120,000 (2022: £109,000) related to this lease, with depreciation of £120,000 (2022: £129,000) and interest of £2,000 (2022: £5,000) charged to the income statement. At the year end, the Group owed Kelso Place LLP £184,000 (2022: £193,000) in respect of the above. This balance is included within trade payables.

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 £8,000 (2022: £8,000) in respect of professional services provided. At 31 December 2023, INSPECS Limited owed Thorne Lancaster Parker £nil (2022: £3,000) in respect of the above. During the year the partnership charged Norville (20/20) Limited £2,000 (2022: £7,000) in respect of professional services provided, with £nil being owed at the end of the year (2022: £2,000). This balance is included within trade payables.

c) Key management personnel

The key management personnel of INSPECS Group plc at 31 December 2023 are R Totterman, R Peck, C Kay, M Lefebvre, J Zobel (to 31 August 2023) and P Braunhofer (from 1 September 2023). In respect of these individuals, the total short-term employee benefits payable in the period were £2,317,000 (2022: £1,678,000) and post-employment benefits were £13,000 (2022: £13,000). In addition, share-based payments totalled £582,000 (2022: £745,000) in relation to these individuals.

d) Minima SAS

M Lefebvre, who is identified as a part of the key management personnel of INSPECS Group plc, holds a controlling shareholding of Minima SAS. During 2023, INSPECS Group plc charged £259,000 in respect of goods provided (2022: £218,000), with a balance of £104,000 being owed to the Group at 31 December 2023 (2022: £103,000). The balance is included within trade receivables.

e) Consultancy costs

In addition to a Non-Executive Director salary, A Farrugia, a Non-Executive Director of the Group, was paid £nil (2022: £14,000) 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 2024	1.01	412,102
27 February 2020	27 February 2025	1.95	1,923,110
22 December 2020	22 December 2025	2.10	890,000
26 February 2021	26 February 2026	3.25	641,036
21 June 2021	21 June 2026	3.51	90,000
31 August 2021	31 August 2026	3.70	275,000
23 December 2021	23 December 2026	3.70	279,999
28 February 2022	28 February 2027	3.75	641,036

The option weighted average exercise price is £2.50 per share. Options were valued at the date of grant.

The expense recognised in relation to share options during the period is £972,000 (2022: £1,398,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

32. SHARE-BASED PAYMENTS CONTINUED

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 2023	Number 2022
At 1 January	**5,847,283**	5,356,247
Granted during the year	**–**	641,036
Forfeited during the year	**(695,000)**	–
Cancelled during the year	**–**	(150,000)
As at 31 December	**5,152,283**	5,847,283

WAEP	2023 £	2022 £
At 1 January	**2.50**	2.34
Granted during the year	**–**	0.21
Forfeited during the year	**(0.00)**	–
Cancelled during the year	**–**	(0.05)
As at 31 December	**2.50**	2.50

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 2023:

	Loan balance £'000	Increase/ decrease in basis points £'000	Effect on loss before tax £'000
2023	**43,383**	**50 BP**	**217**
2022	48,298	50 BP	241

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

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 credit to the profit and loss account of £1,312,000 (2022: charge of £2,044,000). This arises from loans with banks denominated in foreign currencies (credit of £1,569,000) offset by foreign exchange losses on intercompany loans (charge of £257,000).

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.

2023	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in loss before tax £
If the GBP weakens against the USD	5	(69,079)
If the GBP strengthens against the USD	(5)	69,079
If the GBP weakens against the EUR	5	(134,491)
If the GBP strengthens against the EUR	(5)	134,491
If the GBP weakens against the MOP	5	(243,595)
If the GBP strengthens against the MOP	(5)	243,595

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.

	2023 £'000	2022 £'000	Increase/ (decrease) £'000
Trade receivables			
Current	**15,157**	16,952	(1,795)
Past due 1-30 days	**3,248**	3,138	110
Past due 31-60 days	**2,752**	365	2,387
Past due 61+ days	**3,011**	2,215	796
Total	**24,168**	22,670	1,498
Percentage over terms	**37%**	25%	

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 2023 accounted for 7% of cost of sales (2022: 15%). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2023

33. FINANCIAL RISK MANAGEMENT CONTINUED

Liquidity risk

For the management of the liquidity risk, the Group monitors and maintains a sufficient level of cash and bank balances deemed adequate by management, along with utilising an invoice discounting facility, to finance the Group's operations and mitigate the effects of fluctuation in cash flows. Management reviews and monitors its working capital requirements regularly. The Group reviews on a monthly basis the cash generation and the requirement for capital repayments on the bank loan in its detailed working capital model to ensure sufficient liquidity for operating purposes across the Group. The table below summarises the gross undiscounted 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)	887	–	–	–	**887**
Interest-bearing loans and borrowings (excluding items below)	9,861	33,733	–	–	**43,594**
Lease liabilities	3,329	6,150	6,108	2,748	**18,335**
Other financial liabilities – right of return	11,297	–	–	–	**11,297**
Trade and other payables	36,375	–	–	–	**36,375**

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:

	2023		2022	
	Actual	**Required**	Actual	Required
Leverage	**1.70**	**Below 2.25**	Waived	Waived
Interest cover	**4.21**	**Above 3.00**	4.96	Above 4.00
Cash flow cover	**1.54**	**Above 1.05**	Waived	Waived

34. GUARANTEES

The Company's UK subsidiaries Algha Group Limited (registered number 03240950), Inspecs Holdings Limited (registered number 06383565), Eschenbach UK Holdings Limited (registered number 06689781) and International Eyewear Limited (registered number 02221216) have taken advantage of the audit exemption under section 479A of the Companies Act 2006 for the year ended 31 December 2023. Consequently, the Company has provided the statutory guarantee in relation to the subsidiary's liabilities. The third-party liabilities of these subsidiaries as of 31 December 2023 amounted to £4,200 (2022: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

35. PRIOR YEAR ADJUSTMENT – DEFERRED TAX

Under IAS 12, deferred tax assets and liabilities should be offset if criteria relating to their legal right and intention to settle net are met. In prior years, deferred tax balances arising on the acquisition of subsidiaries have been presented gross, and not net against deferred tax assets within the jurisdictions to which they relate. It is considered that the criteria to offset these assets and liabilities under IAS 12 are met, and therefore a prior year adjustment has been made. The effect of this adjustment as at 31 December 2022 is to reduce deferred tax assets by £5,172,000 and reduce deferred tax liabilities by £5,172,000. The effect of this adjustment as at 31 December 2021 is to reduce deferred tax assets by £7,240,000 and reduce deferred tax liabilities by £7,240,000.

The reconciliation of the restated Statement of Financial Position as at 31 December 2022 is shown below:

	31 December 2022 £'000	Prior year adjustment £'000	Restated 31 December 2022 £'000
Assets			
Non-current assets			
Goodwill	**55,578**	–	55,578
Intangible assets	**36,170**	–	36,170
Property, plant and equipment	**17,424**	–	17,424
Right-of-use assets	**19,683**	–	19,683
Investment in associate and joint venture	**112**	–	112
Deferred tax assets	**7,007**	(5,172)	1,835
	135,974	**(5,172)**	**130,802**
Current assets			
Inventories	**48,158**	–	48,158
Trade and other receivables	**31,144**	–	31,144
Tax receivables	**3,681**	–	3,681
Cash and cash equivalents	**22,153**	–	22,153
	105,136	**–**	**105,136**
Assets held for sale	**832**	–	832
Total assets	**241,942**	**(5,172)**	**236,770**

	31 December 2022 £'000	Prior year adjustment £'000	Restated 31 December 2022 £'000
Equity			
Shareholders' equity			
Called up share capital	**1,017**	–	1,017
Share premium	**89,508**	–	89,508
Foreign currency translation reserve	**9,434**	–	9,434
Share option reserve	**2,703**	–	2,703
Merger reserve	**5,340**	–	5,340
Retained earnings	**(461)**	–	(461)
Total equity	**107,541**	**–**	**107,541**
Liabilities			
Non-current liabilities			
Financial liabilities – borrowings			
Interest-bearing loans and borrowings	**16,548**	–	16,548
Deferred consideration	**1,350**	–	1,350
Deferred tax liabilities	**9,548**	(5,172)	4,376
	27,446	**(5,172)**	**22,274**
Current liabilities			
Trade and other payables	**39,153**	–	39,153
Right of return liabilities	**10,613**	–	10,613
Financial liabilities – borrowings			
Interest-bearing loans and borrowings	**51,746**	–	51,746
Invoice discounting	**1,490**	–	1,490
Deferred and contingent consideration	**2,518**	–	2,518
Tax payable	**1,435**	–	1,435
	106,955	**–**	**106,955**
Total liabilities	**134,401**	**(5,172)**	**129,229**
Total equity and liabilities	**241,942**	**(5,172)**	**236,770**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

35. PRIOR YEAR ADJUSTMENT – DEFERRED TAX CONTINUED

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

	2021 £'000	Prior year adjustment £'000	2021 £'000 Restated
Assets			
Non-current assets			
Goodwill	**56,206**	–	56,206
Intangible assets	**40,298**	–	40,298
Property, plant and equipment	**18,182**	–	18,182
Right-of-use assets	**16,482**	–	16,482
Investment in associate and joint venture	**36**	–	36
Deferred tax assets	**9,281**	(7,240)	2,041
	140,485	(7,240)	133,245
Current assets			
Inventories	**41,199**	–	41,199
Trade and other receivables	**31,242**	–	31,242
Tax receivables	**2,566**	–	2,566
Cash and cash equivalents	**22,024**	–	22,024
	97,031	–	97,031
Assets held for sale	**–**	–	–
Total assets	**237,516**	**(7,240)**	**230,276**
Equity			
Shareholders' equity			
Called up share capital	**1,017**	–	1,017
Share premium	**89,508**	–	89,508
Foreign currency translation reserve	**3,206**	–	3,206
Share option reserve	**1,454**	–	1,454
Merger reserve	**5,340**	–	5,340
Retained earnings	**6,931**	–	6,931
Total equity	**107,456**	**–**	**107,456**

	2021 £'000	Prior year adjustment £'000	2021 £'000 Restated
Liabilities			
Non-current liabilities			
Financial liabilities – borrowings			
Interest-bearing loans and borrowings	**51,210**	–	51,210
Deferred consideration	**2,300**	–	2,300
Deferred tax liabilities	**15,184**	(7,240)	7,944
	68,694	(7,240)	61,454
Current liabilities			
Trade and other payables	**39,459**	–	39,459
Right of return liabilities	**8,215**	–	8,215
Financial liabilities – borrowings			
Interest-bearing loans and borrowings	**9,835**	–	9,835
Invoice discounting	**1,800**	–	1,800
Tax payable	**2,057**	–	2,057
	61,366		61,366
Total liabilities	**130,060**	**(7,240)**	**122,820**
Total equity and liabilities	**237,516**	**(7,240)**	**230,276**

36. POST BALANCE SHEET EVENTS

On 22 January 2024, the Group acquired the entire share capital of A-Optikk AS, a distributor based in Norway, for NOK 10,000. The fair value of assets and liabilities acquired, along with associated acquisition costs are not deemed to be material to the Group as a whole.

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

COMPANY BALANCE SHEET
as at 31 December 2023

	Notes	2023 £'000	2022 £'000
ASSETS			
FIXED ASSETS			
Investments	3	**58,318**	57,722
Right-of-use assets	4	**150**	103
CURRENT ASSETS			
Trade and other debtors – falling due after more than one year	5	**79,180**	82,634
Trade and other debtors – falling due within one year	6	**1,241**	1,229
Cash and cash equivalents	7	**28**	36
		138,917	141,724
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	8	**1,017**	1,017
Share premium	9	**89,508**	89,508
Share option reserve	9	**3,222**	2,703
Merger reserve	9	**5,340**	5,340
Retained earnings	9	**39,344**	42,649
TOTAL EQUITY		**138,431**	141,217

	Notes	2023 £'000	2022 £'000
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	4, 10	**103**	74
CURRENT LIABILITIES			
Trade and other creditors	11	**328**	403
Interest-bearing loans and borrowings	4, 10	**55**	30
TOTAL LIABILITIES		**486**	507
TOTAL EQUITY AND LIABILITIES		**138,917**	141,724

The notes on pages 137 to 145 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 2023 was £3,758,000 (2022: £1,072,000 loss).

The Financial Statements were approved by the Board of Directors on 17 April 2024 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 2023

	Notes	Called up share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	Merger reserve £'000	Total equity £'000
BALANCE AT 1 JANUARY 2022		1,017	89,508	1,454	44,794	5,340	142,113
CHANGES IN EQUITY							
Loss for the year		–	–	–	(1,072)	–	(1,072)
TOTAL COMPREHENSIVE LOSS		–	–	–	(1,072)	–	(1,072)
Share-based payments	9	–	–	1,398	–	–	1,398
Share options cancelled	9	–	–	(149)	149	–	–
Cash dividends	9	–	–	–	(1,222)	–	(1,222)
BALANCE AT 31 DECEMBER 2022		1,017	89,508	2,703	42,649	5,340	141,217
CHANGES IN EQUITY							
Loss for the year		**–**	**–**	**–**	**(3,758)**	**–**	**(3,758)**
TOTAL COMPREHENSIVE LOSS		**–**	**–**	**–**	**(3,758)**	**–**	**(3,758)**
Share-based payments	9	**–**	**–**	**972**	**–**	**–**	**972**
Share options forfeited	9	**–**	**–**	**(453)**	**453**	**–**	**–**
BALANCE AT 31 DECEMBER 2023		**1,017**	**89,508**	**3,222**	**39,344**	**5,340**	**138,431**

The notes on pages 137 to 145 form part of these Financial Statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2023

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 comparative period the Company has incurred costs to support the Group which have been re-charged to subsidiary entities where appropriate.

Effective from 1 January 2023, the presentational currency for the Consolidated and Parent Company Financial Statements was changed from USD to GBP to allow for greater transparency for investors and other stakeholders. Accordingly, comparative information is therefore also restated in GBP. The Consolidated Financial Statements provide comparative information in respect of the year ended 31 December 2022.

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

2. ACCOUNTING POLICIES CONTINUED

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.

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:

Leasehold properties	Over the lease term
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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

2. ACCOUNTING POLICIES CONTINUED

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.

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 GBP, which is also the Company's functional currency.

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.

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2023

2. ACCOUNTING POLICIES CONTINUED

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.

As of 31 December 2023, the carrying amount of the net assets of the company exceeded its market capitalisation. This is an indicator of impairment, and therefore a value in use calculation was performed to determine whether an impairment was required. The value in use calculation used cash flow projections covering a five-year period, with the Board approved budget for 2024, revenue growth of 5% per annum with gross profit margins maintained, and a terminal growth rate for 2029 onwards of 2%. A pre-tax discount rate of 12.0% was used. The value in use calculation determined that no impairment was required. With other assumptions remaining unchanged, the discount rate would need to increase to 18.9% before an impairment would be triggered.

Changes in accounting policies and disclosures

Effective from 1 January 2023, the presentational currency for the Consolidated and Parent Company Financial Statements was changed from USD to GBP to allow for greater transparency for investors and other stakeholders. Accordingly, comparative information is therefore also restated in GBP for this voluntary presentational change in line with IAS 8. The Consolidated Financial Statements provide comparative information in respect of the year ended 31 December 2022. Income and expenses were translated at the respective average exchange rates prevailing for the relevant period. Assets, liabilities and total equity were translated at closing exchange rates prevailing on the respective balance sheet date.

3. INVESTMENTS

	Shares in subsidiaries £'000
Cost and Net Book Value	
At 1 January 2023	**57,722**
Additions for share-based payments in subsidiaries	**596**
At 31 December 2023	**58,318**

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

3. INVESTMENTS CONTINUED

Investments held at the balance sheet date 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
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

Subsidiaries	Registered office	Nature of business	Class of shares	% holding
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
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 manufacturing	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 manufacturing	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
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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2023

3. INVESTMENTS CONTINUED

Subsidiaries	Registered office	Nature of business	Class of shares	% holding
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 Polen sp. z o.o.[14]	ul. Biedronki 60, Warsaw, Poland	Eyeware trading	Ordinary	100.00
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

Subsidiaries	Registered office	Nature of business	Class of shares	% holding
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
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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

4. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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:

	Leasehold properties £'000	Plant & machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2023	–	71	41	112
Additions	15	38	43	96
At 31 December 2023	15	109	84	208
Depreciation				
At 1 January 2023	–	7	2	9
Charge for the year	6	17	26	49
At 31 December 2023	6	24	28	58
Net Book Value				
At 31 December 2023	9	85	56	150

	Plant & machinery £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 January 2022	–	–	–
Additions	71	41	112
At 31 December 2022	71	41	112
Depreciation			
At 1 January 2022	–	–	–
Charge for the year	7	2	9
At 31 December 2022	7	2	9
Net Book Value			
At 31 December 2022	64	39	103

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

	2023 £'000	2022 £'000
At 1 January	104	–
Additions	96	112
Interest charge	6	1
Payments	(48)	(9)
As at 31 December	158	104
Current	55	30
Non-current	103	74

5. TRADE AND OTHER DEBTORS – FALLING DUE AFTER MORE THAN ONE YEAR

	2023 £'000	2022 £'000
Current:		
Amounts owed by Group undertakings	79,180	82,634
	79,180	82,634

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.

6. TRADE AND OTHER DEBTORS – FALLING DUE WITHIN ONE YEAR

	2023 £'000	2022 £'000
Current:		
Prepayments	108	89
Amounts owed by Group undertakings	1,133	1,140
	1,241	1,229

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2023

7. CASH AND CASH EQUIVALENTS

	2023 £'000	2022 ££'000
Cash at bank and in hand	**28**	36

8. CALLED UP SHARE CAPITAL

Authorised and issued share capital:

Number	Class £'000	Nominal value £'000	2023 £'000	2022 £'000
101,671,525 (2022: 101,671,525)	Ordinary	£0.01	**1,017**	1,017

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.

	2023 £'000	2022 £'000
At 1 January and 31 December	**89,508**	89,508

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.

	2023 £'000	2022 £'000
At 1 January	**2,703**	1,454
Share-based payment charge	**972**	1,398
Share options forfeited	**(453)**	–
Share options cancelled	**–**	(149)
At 31 December	**3,222**	2,703

The share-based payment charge for the year is recognised against the reserve as per IFRS 2 Share-Based Payments. 695,000 share options have been forfeited during the period. Upon forfeiture of share options, the related share option reserve is recycled into retained earnings, resulting in the movement of £453,000 from the share option reserve to retained earnings. During 2022, 150,000 share options were cancelled. 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 £149,000 from the share option reserve to retained earnings in 2022.

Merger reserve

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

	2023 £'000	2022 £'000
At 1 January and 31 December	**5,340**	5,340

Retained earnings

	2023 £'000	2022 £'000
At 1 January	**42,649**	44,794
Loss for the year	**(3,758)**	(1,072)
Share options forfeited	**453**	–
Share options cancelled	**–**	149
Cash dividends	**–**	(1,222)
At 31 December	**39,344**	42,649

During the prior 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 2023

10. INTEREST-BEARING LOANS AND BORROWINGS

	2023 £'000	2022 £'000
Current:		
Lease liabilities	**55**	30
	55	30

	2023 £'000	2022 £'000
Non-current:		
Lease liabilities	**103**	74
	103	74

11. TRADE AND OTHER CREDITORS

	2023 £'000	2022 £'000
Current:		
Trade creditors	**127**	214
Other creditors	**–**	5
Social security and other taxes	**35**	60
Accruals	**138**	124
Amounts owed by Group undertakings	**28**	–
	328	403

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

12. EMPLOYEES

	2023 £'000	2022 £'000
Wages and salaries	**1,624**	1,117
Social security costs	**218**	157
Pension costs	**91**	67
Share-based payment expense	**377**	485
	2,310	1,826

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

	2023	2022
	11	7

13. GUARANTEES

The Company's UK subsidiaries Algha Group Limited (registered number 03240950), Inspecs Holdings Limited (registered number 06383565), Eschenbach UK Holdings Limited (registered number 06689781) and International Eyewear Limited (registered number 02221216) have taken advantage of the audit exemption under section 479A of the Companies Act 2006 for the year ended 31 December 2023. Consequently, the Company has provided the statutory guarantee in relation to the subsidiary's liabilities. The third-party liabilities of these subsidiaries as of 31 December 2023 amounted to £4,200 (2022: £nil).

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.

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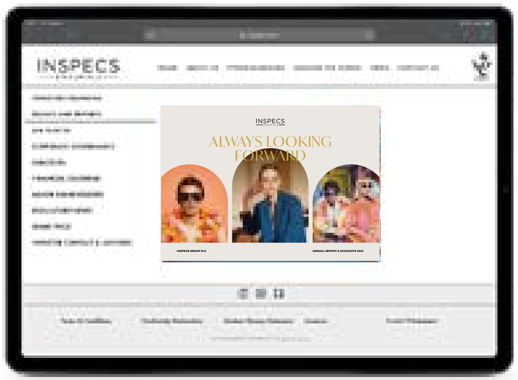

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