

7 September 2023

INSPECS Group plc
("INSPECS", "the Company" or "the Group")

Interim Results

INSPECS Group plc, a global eyewear and lens design house and manufacturer, presents its unaudited interim results for the six months ended 30 June 2023. This is the first set of results in the Group's new reporting currency of GBP.

Financial highlights:

- Revenue increased by 6.1% to £111.2m (H1 2022: £104.8m)
- On a constant exchange rates basis¹, revenue increased by 2.3% to £107.2m (H1 2022: £104.8m)
- Operating profit increased by 25.1% to £4.6m (H1 2022: £3.6m)
- Gross profit margin 51.4% (H1 2022: 50.5%)
- Underlying EBITDA² increased by 5.4% to £12.1m (H1 2022: £11.4m)
- Adjusted Profit Before Tax (PBT)² of £6.9m (H1 2022: £7.5m)
- Adjusted PBT Basic Earnings Per Share (EPS)² of £0.07 (H1 2022: £0.07)
- Reported Profit Before Tax of £3.8m (H1 2022: £0.2m loss³)
- Reported basic EPS of £0.02 (H1 2022: £(0.03)³), with diluted EPS of £0.02 (H1 2022: £(0.03)³)
- Cash generated from operations £11.5m (H1 2022: £8.7m)
- Net debt excluding leasing £22.7m (31 December 2022: £27.6m)

Operational highlights:

- 6.9m eyewear frames sold in H1 2023, compared to 6.2m in H1 2022
- Strong revenue growth in UK (+20%), North America (+9%) and LATAM (+277%)
- Substantial growth of low vision aids revenue in North America (+19%) to £5.9m in H1 2023
- Construction of the new Vietnam manufacturing facility commenced in May 2023, with scheduled completion in H1 2024
- Norville losses reduced substantially compared H1 2022
- Renewal completed on key licensed brands; Marco Polo and Ted Baker
- Orders received for a key licence brand by a global retailer to be delivered in Q4 2023
- Successful launch of a women's Titanflex range in Germany
- Significant growth in commercial activity within Skunkworks, the Group's research and development division
- Good progress against objectives outlined in our ESG framework

1 Constant currency exchange rates: figures at constant currency exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the relevant comparative period (H1 2022).

2 Refer to table "Underlying EBITDA and Adjusted PBT".

3 Comparative figures have been restated throughout to be presented in GBP following a change in presentational currency. See note 2 for further details. In addition, the six-month period to 30 June 2022 has been restated following a retrospective adjustment, see note 11.

Richard Peck, CEO of INSPECS, said:

"The Group has made steady progress during the period, with an improved trading and cash generation performance. We remain focused on achieving operational efficiency gains and continue to identify integration opportunities across our global trading platform.

Construction of our new manufacturing facility in Vietnam commenced in May 2023, with expected completion in H1 2024. Once fully operational, this will increase the manufacturing capacity of the Group to circa 12 million units per year.

Trading in the second half to date has been in line with our expectations and our order books remain at a good level. Whilst we remain cautious in relation to global economic and political events, we remain confident with our full year outlook.”

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About INSPECS Group plc

INSPECS is a leading provider of eyewear solutions to the global eyewear market. The Group produces a broad range of eyewear frames, low vision aids and lenses, covering optical, sunglasses and safety, which are either "Branded" (either under licence or under the Group's own proprietary brands), or "OEM" (unbranded or private label on behalf of retail customers).

INSPECS is building a global eyewear business through its vertically-integrated business model. Its continued growth is underpinned by six core drivers, including; increasing the penetration of its own-brand portfolio, increasing distribution in Asian Pacific markets, growing its travel retail markets, maximising group synergies, expanding its manufacturing capacity and scaling the research and development department as it develops new and innovative eyewear channels.

The Group has operations across the globe: with offices and subsidiaries in the UK, Germany, Portugal, Scandinavia, the US and China (including Hong Kong, Macau and Shenzhen), and manufacturing facilities in Vietnam, China, the UK and Italy.

INSPECS customers are global optical and non-optical retailers, global distributors and independent opticians, with its distribution network covering over 80 countries and reaching approximately 75,000 points of sale.

More information is available at: www.INSPECS.com

CHIEF EXECUTIVE REVIEW

I am pleased to present our results for the six months ended 30 June 2023. The Group has performed well during the period, achieving record first half revenue of £111.2m (H1 2022: £104.8m) a 6.1% increase. The Group sold 6.9m eyewear units in the period, up 11.3% compared to 6.2m eyewear units sold in H1 2022.

The Group made an Underlying EBITDA of £12.1m compared to £11.4m for the same period in 2022.

On a constant exchange basis, Group revenues increased 2.3% from £104.8m to £107.2m.

The Group's performance at the Underlying EBITDA level in H1 2023 exceeded our previous record performance of H1 2022 by 5.4%. The Group saw good growth in our UK and North American businesses, and a significant reduction in the operational losses at Norville, as a result of our cost saving programme. Our European markets (excluding the UK) remained relatively flat. Our gross profit margin, despite cost inflationary pressures, increased to 51.4% from 50.5%. Administrative expenses in the period of £49.3m (H1 2022: £46.6m) were well controlled, decreasing from 44.4% to 44.3% of revenue.

The Group has made key licence renewals, including Marco Polo and Ted Baker, as well as receiving a significant order from a global retailer for a key licence brand which will be delivered in Q4 2023.

UK

Within the UK market, revenue has increased by 19.5% to £13.6m, driven by increased distribution to major retail chains.

Europe

Revenue in Europe at £52.2m was flat year on year with a strong performance in our key German market offset by a softer performance in other European markets. During the period TitanFlex, a brand designed for comfort, successfully launched a new range for women.

North America

Revenue within North America has increased by £3.0m (8.6%) to £37.4m, with good growth in our frame and low vision operating entities.

Frames and Optics

Our Frames and Optics distribution business increased its external revenue from £93.2m in H1 2022 to £100.2m in H1 2023, an increase of 7.6%. This was driven mainly by a good performance in the UK and North American markets.

Wholesale

In line with our expectations for the first six months, external revenue from the Wholesale business for H1 2023 was £9.0m, compared to £9.9m in H1 2022. We expect to see increased activity in the second half.

Lenses

Our lens manufacturing business has reported external revenue growth of 13.9%, with losses from the division decreasing by £0.9m to £1.2m. We continue to make steady progress, with increased revenue and operational activity, and a drive towards profitability in the future.

Manufacturing

Construction of our new manufacturing facility in Vietnam commenced in May 2023, with expected completion in H1 2024. Once fully operational, this will increase the manufacturing capacity of the Group to circa 12 million units per year.

We continue to evaluate our Portugal manufacturing facility, which would mainly supply our European markets.

Research and development

The research and development division of the business, Skunkworks, has continued to work on the development of innovative eyewear channels, resulting in significant growth in commercial activity during H1 2023.

ESG

Following the establishment of our ESG Committee in 2022, we have been progressing against our ESG goals. During the period the Group donated two water filtration units for local schools in Vietnam and offset over 4,500 TCO_{2e} through renewable energy projects. We continue to assess ways in which we can further integrate ESG into our corporate strategy.

Eyewear market

The eyewear market is projected to grow at a rate of 4.4% per year between 2023 and 2027 (data from Statista.com) providing a resilient base to support our long-term growth strategy.

Outlook

Trading in the second half to date has been in line with our expectations and our order books remain at a good level. Whilst we remain cautious in relation to global economic and political events, we remain confident with our full year outlook.

I would like to thank all our teams across the globe who have contributed to this good performance in H1 2023, and their continuing hard work and dedication in achieving our long-term goal of developing INSPECS Group into one of the world's leading eyewear companies.

Richard Peck

7 September 2023

FINANCIAL REVIEW

Revenue

Revenue increased to £111.2m from £104.8m in H1 2022, an increase of 6.1%. This was driven by strong growth in our UK and North American markets. On a constant exchange rate¹ revenues increased 2.3% from £104.8m (H1 2022) to £107.2m.

Gross Profit Margin

The Group's gross profit margin increased from 50.5% in H1 2022 to 51.4% in H1 2023. The Group continues to actively manage its gross profit margin despite cost inflation.

Operating Profit

The Group's operating profit increased 25.1% to £4.6m (H1 2022: £3.6m).

Underlying EBITDA

The Group's Underlying EBITDA (as calculated in the 'Underlying EBITDA and Adjusted PBT' table below) increased from £11.4m in H1 2022 to £12.1m in H1 2023.

Finance Expenses

Our reported net finance costs increased from £1.3m in H1 2022 to £2.0m reflecting the rise in interest rates around the globe. Net finance costs include £0.1m (H1 2022: £0.3m) relating to the amortisation of capitalised loan arrangement fees.

Depreciation and amortisation

The increase in depreciation is driven by the renewal of key leases across the Group.

	Period ended 30 June 2023	Period ended 30 June 2022
	£m	£m
Depreciation	3.4	3.0
Amortisation	3.3	3.4
Total	6.7	6.4

Profit/(Loss) Before Tax

Profit before tax for the period was £3.8m (H1 2022: £0.2m loss). The increase of £4.0m is after an increase in finance costs of £0.7m, an increase in amortisation and depreciation of £0.3m and an improvement in exchange adjustments on borrowings of £2.8m.

Adjusted Profit Before Tax

The Group's Adjusted Profit Before Tax (PBT) decreased from £7.5m in H1 2022 to £6.9m in H1 2023 as a result of increased net interest costs (excluding amortisation of loan arrangement fees) of £0.9m and an increase in depreciation of £0.4m.

Cash Generation

Cash management was a key focus in the period and the Group generated a net cash inflow from operating activities of £8.4m in H1 2023 compared to £4.7m in H1 2022.

Cash Position

The Group's cash as of 30 June 2023 was £25.9m compared to £22.2m as at 31 December 2022.

Net Debt

The Group has delivered strong cash generation in the first half and as a result, net debt (excluding leases) decreased by £4.9m to £22.7m (31 December 2022: £27.6m). During the period, the Group invested £0.9m on construction of our new manufacturing facility in Vietnam and paid a further £2.2m of deferred and contingent consideration relating to the EGO and BoDe acquisitions.

Financing

The Group finances its operation through the following borrowings and facilities.

	Expires	Drawn at 30 June 2023	Drawn at 31 December 2022
		£m	£m
Group revolving credit facility	October 2024	29.5	30.0
Term loans	October 2024	9.7	10.5
Revolving credit facility USA	1-year rolling	6.7	7.2
Invoice discounting	1-year rolling	2.1	1.5
Other		0.5	0.6
Total		48.5	49.8

Leverage (using debt to equity ratio)

The Group's leverage position is shown below:

	30 June 2023
Actual ratio	1.99
Required ratio	3.00

The Group's leverage is calculated using a twelve-month rolling EBITDA. The Group's performance in the second half of 2022 was weak and resulted in lower reported EBITDA. As a result of the improved trading performance in the first half and our current expectations for the full year, it is expected that, subject to market conditions, the Group's leverage will continue to improve in the second half of 2023.

Inventory

Our revenue to inventory ratio has improved compared to 30 June 2022 with increased revenue being delivered from a similar inventory base.

	Period ended 30 June 2023 £m	Period ended 30 June 2022 £m
Revenue	111.2	104.8
Inventory	42.3	42.4
Revenue to inventory ratio	2.6	2.5

Current asset ratio

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

	Period ended 30 June 2023 £m	Period ended 30 June 2022 £m
Current Assets	106.7	103.3
Current Liabilities	69.7	66.4
Ratio	1.5	1.6

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.

	Period ended 30 June 2023 £m	Period ended 30 June 2022 £m
Current Assets	106.7	103.3
Less Inventory	(42.3)	(42.4)
	64.4	60.9
Current Liabilities	69.7	66.4
Ratio	0.9	0.9

Earnings per Share

The Group's Basic Adjusted PBT Earnings per Share for the 6 months to 30 June 2023 was £0.07 compared to £0.07 for the 6 months to 30 June 2022.

Dividend

As previously announced the Group does not intend to pay a dividend in 2023 and accordingly is not proposing a dividend for the period ended 30 June 2023.

Underlying EBITDA and Adjusted PBT

The below table shows how Underlying EBITDA and Adjusted PBT are calculated:

	6 months ended 30 June 2023	6 months ended 30 June 2022 Restated ¹	12 months ended 31 December 2022 Restated ¹
	£'000	£'000	£'000
Revenue	111,199	104,809	200,957
Gross Profit	57,147	52,893	98,860
Operating expenses	(52,592)	(49,253)	(100,046)
Operating profit/(loss)	4,555	3,640	(1,186)
Add back: Amortisation	3,252	3,445	6,893
Add back: Depreciation	3,361	2,950	6,744
EBITDA	11,168	10,035	12,451
Add back: Share based payment expense	526	638	1,398
Add back: Earn out on acquisition	366	770	1,544
Underlying EBITDA	12,060	11,443	15,393
Add back: Purchase Price Allocation ('PPA') release on inventory through cost of sales	-	27	132
Adjusted Underlying EBITDA	12,060	11,470	15,525
Less: Depreciation	(3,361)	(2,950)	(6,744)
Less: Net interest (excluding amortisation of loan arrangement fees)	(1,846)	(990)	(1,979)
Adjusted Profit Before Tax (PBT)	6,853	7,530	6,802
Adjusted PBT earnings per share			
	£	£	£
Basic Adjusted PBT Earnings per Share for the period attributable to the equity holders of the parent	0.07	0.07	0.07
Diluted Adjusted PBT Earnings per Share for the period attributable to the equity holders of the parent	0.06	0.07	0.06

1 Comparative figures have been restated throughout to be presented in GBP following a change in presentational currency. See note 2 for further details. In addition, the six-month period to 30 June 2022 has been restated following a retrospective adjustment, see note 11.

Underlying EBITDA segmental information

Underlying EBITDA by reportable segment (as defined in note 4) for the six months ended 30 June 2023 is as follows:

	Frames and Optics	Wholesale	Lenses	Total before adjustments & eliminations	Adjustments & elimination	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	102,876	9,922	2,069	114,867	(3,668)	111,199
Operating profit/(loss)	<u>7,272</u>	<u>887</u>	<u>(1,248)</u>	<u>6,911</u>	<u>(2,356)</u>	<u>4,555</u>
Add back:						
Amortisation	2,809	433	10	3,252	-	3,252
Depreciation	2,663	347	336	3,346	15	3,361
Share based payments	198	161	-	359	167	526
Earn out on acquisitions	<u>366</u>	<u>-</u>	<u>-</u>	<u>366</u>	<u>-</u>	<u>366</u>
Underlying EBITDA	<u>13,308</u>	<u>1,828</u>	<u>(902)</u>	<u>14,234</u>	<u>(2,174)</u>	<u>12,060</u>

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June 2023

	Notes	<i>Unaudited</i> 6 months ended 30 June 2023 £'000	<i>Unaudited</i> 6 months ended 30 June 2022 Restated £'000
REVENUE	4	111,199	104,809
Cost of sales		(54,052)	(51,916)
GROSS PROFIT		57,147	52,893
Distribution costs		(3,328)	(2,703)
Administrative expenses		(49,264)	(46,550)
OPERATING PROFIT		4,555	3,640
Non-underlying costs	9	-	(911)
Exchange adjustments on borrowings		1,210	(1,585)
Share of loss of associates		(4)	(1)
Finance costs		(2,103)	(1,371)
Finance income		145	39
PROFIT/(LOSS) BEFORE INCOME TAX		3,803	(189)
Income tax		(1,720)	(2,685)
PROFIT/(LOSS) FOR THE PERIOD		2,083	(2,874)
OTHER COMPREHENSIVE INCOME:			
Exchange adjustment on consolidation		(3,973)	4,272
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE PERIOD		(1,890)	1,398
Earnings per share		£	£
Basic EPS for the period attributable to the equity holders of the parent	5	0.02	(0.03)
Diluted EPS for the period attributable to the equity holders of the parent	5	0.02	(0.03)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Note	<i>Unaudited</i> <i>As at</i> 30 June 2023 £'000	<i>Unaudited</i> <i>As at</i> 30 June 2022 Restated £'000	<i>As at</i> 31 December 2022 Restated £'000
ASSETS				
NON-CURRENT ASSETS				
Goodwill		55,578	56,206	55,578
Intangible assets		32,248	38,523	36,170
Property Plant and equipment		33,840	38,598	37,107
Investment in associates		105	91	112
Net investment – sublease		675	-	-
Deferred tax		6,337	8,180	7,007
		<u>128,783</u>	<u>141,598</u>	<u>135,974</u>
CURRENT ASSETS				
Inventories		42,349	42,402	48,158
Trade and other receivables	6	36,647	34,532	31,144
Net investment – sublease		110	-	-
Tax receivable		1,719	1,233	3,681
Cash and cash equivalents		25,862	25,179	22,153
		<u>106,687</u>	<u>103,346</u>	<u>105,136</u>
Assets held for sale		832	-	832
TOTAL ASSETS		<u>236,302</u>	<u>244,944</u>	<u>241,942</u>
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		5,461	7,478	9,434
Share option reserve		3,153	2,092	2,703
Merger reserve		5,340	5,340	5,340
Retained earnings		1,698	4,057	(461)
TOTAL EQUITY		<u>106,177</u>	<u>109,492</u>	<u>107,541</u>
LIABILITIES				
NON-CURRENT LIABILITIES				
Financial liabilities – borrowings				
Interest bearing loans and borrowings		51,525	53,109	16,548
Deferred consideration		652	1,776	1,350
Deferred tax		8,203	14,215	9,548
		<u>60,380</u>	<u>69,100</u>	<u>27,446</u>
CURRENT LIABILITIES				
Trade and other payables	7	38,921	40,175	39,153
Right of return liability		11,862	8,885	10,613
Financial liabilities – borrowings				
Interest bearing loans and borrowings		13,140	13,144	51,746
Invoice discounting		2,089	708	1,490
Deferred consideration		1,333	1,304	2,518
Tax payable		2,400	2,136	1,435
		<u>69,745</u>	<u>66,352</u>	<u>106,955</u>
TOTAL LIABILITIES		<u>130,125</u>	<u>135,452</u>	<u>134,401</u>
TOTAL EQUITY AND LIABILITIES		<u>236,302</u>	<u>244,944</u>	<u>241,942</u>

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2023

	Called up share capital	Share premium	Foreign currency translation reserve	Share option reserve	Retained earnings	Merger reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
SIX MONTHS ENDED 30 JUNE 2023							
Balance at 1 January 2023	1,017	89,508	9,434	2,703	(461)	5,340	107,541
Profit for the period	-	-	-	-	2,083	-	2,083
Other comprehensive loss	-	-	(3,973)	-	-	-	(3,973)
Total comprehensive loss	-	-	(3,973)	-	2,083	-	(1,890)
Share-based payments	-	-	-	526	-	-	526
Share options forfeited	-	-	-	(76)	76	-	-
Balance at 30 June 2023 (unaudited)	1,017	89,508	5,461	3,153	1,698	5,340	106,177
SIX MONTHS ENDED 30 JUNE 2022							
Balance at 1 January 2022 restated	1,017	89,508	3,206	1,454	6,931	5,340	107,456
Loss for the period	-	-	-	-	(2,874)	-	(2,874)
Other comprehensive income	-	-	4,272	-	-	-	4,272
Total comprehensive profit/(loss)	-	-	4,272	-	(2,874)	-	1,398
Share-based payments	-	-	-	638	-	-	638
Balance at 30 June 2022 restated (unaudited)	1,017	89,508	7,478	2,092	4,057	5,340	109,492

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW
For the period ended 30 June 2023

	Unaudited 6 months ended 30 June 2023	Unaudited 6 months ended 30 June 2022 Restated
	£000	£000
Cash flows from operating activities		
Profit/(loss) before income tax	3,803	(189)
Depreciation charges	3,361	2,950
Amortisation charges	3,252	3,445
Share based payments	526	638
Earn out on acquisitions	366	770
Exchange adjustments on borrowings	(1,210)	1,585
Share of loss from associate	4	1
Finance costs	2,103	1,371
Finance income	(145)	(39)
	12,060	10,532
Decrease/(increase) in inventories	5,809	(1,203)
Increase in trade and other receivables	(5,503)	(3,290)
(Decrease)/increase in trade and other payables	(866)	2,688
Cash generated from operations	11,500	8,727
Interest paid	(1,831)	(1,353)
Tax paid	(1,248)	(2,646)
Net cash flow from operating activities	8,421	4,728
Cash flows used in investing activities		
Purchase of intangible fixed assets	(124)	(59)
Purchase of property plant and equipment	(1,361)	(1,007)
Interest received	145	39
Net cash flows used in investing activities	(1,340)	(1,027)
Cash flow from financing activities		
Bank loan principal repayments in period	(1,010)	(1,112)
New loans in the period	-	1,612
Movement in invoice discounting facility	599	1,092
Loan transaction costs	(70)	(105)
Principal payments on leases	(1,999)	(1,548)
Net cash flows used in financing activities	(2,480)	(61)
Net increase in cash and cash equivalents	4,601	3,640
Cash and cash equivalents at beginning of the period	22,153	22,024
Net foreign currency movements	(892)	(485)
Cash and cash equivalents at end of period	25,862	25,179

NOTES TO THE INTERIM CONSOLIDATED STATEMENTS

For the period ended 30 June 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 Kelso Place, Upper Bristol Road, Bath BA1 3AU.

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

2. ACCOUNTING POLICIES

Going concern

Based on the Group's forecasts, the interim 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 September 2024.

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

- The Group improved its cash position during the period with net debt including leasing dropping from £27.6m at 31 December 2022 to £22.7m at 30 June 2023.
- Cash generated from operations in the period amounted to £11.5m (2022 H1: £8.7m).
- The Group balance sheet has net assets of £106.2m and net current assets of £36.9m.
- The Group's net debt excluding leasing improved by £4.9m in the six months to 30 June 2023.

The assessment has considered the current measures being put in place by the Group to preserve cash and ensure continuity of operations through:

- Ensuring continuation of its supply chain, building on the benefit of having its own manufacturing sites and by securing alternative third-party supply lines.
- Maintaining geographical sales diversification, focusing sales to online customers and seeking new revenue streams around the globe.
- Ability to service both the major global retail chains and significant distribution to the independent eyewear market following the acquisitions completed over recent periods.
- Retaining cash for investment into the Group by not paying a dividend to shareholders.

Basis of preparation

The interim consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting and with accounting policies that are consistent with the Group's Annual Report and Financial Statements for the period ended 31 December 2022.

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 comparative financial information for the period ended 30 June 2022 in this interim report does not constitute statutory accounts for that period under 434 of the Companies Act 2006 and is unaudited.

Accounting policies are included in detail within the latest Annual Report.

NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)
For the period ended 30 June 2023

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's historical information 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 in the future.

Estimation uncertainty

In addition to the going concern section of note 2, 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 period, are described below.

Right of return liability

Management applies assumptions in determining the right of return liability and the associated right of return asset. These assumptions are based on analysis of historical data trends, but require estimation of appropriate time periods and expected return rates. The right of return liability at the period end is £11,862,000 (31 December 2022: £10,613,000) in line with the accounting methodology used as at 31 December 2022.

4. SEGMENT INFORMATION

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

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

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

NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)
For the period ended 30 June 2023

4. SEGMENT INFORMATION (CONTINUED)

The reportable segments subject to disclosure are consistent with the organisation model adopted by the Group during the six months ended 30 June 2023 are as below:

	Frames and Optics	Wholesale	Lenses	Total before adjustments & eliminations	Adjustments & elimination	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue						
External	100,220	9,016	1,963	111,199	-	111,199
Internal	2,656	906	106	3,668	(3,668)	-
	<u>102,876</u>	<u>9,922</u>	<u>2,069</u>	<u>114,867</u>	<u>(3,668)</u>	<u>111,199</u>
Cost of sales	<u>(51,174)</u>	<u>(5,731)</u>	<u>(1,240)</u>	<u>(58,145)</u>	<u>4,093</u>	<u>(54,052)</u>
Gross profit	51,702	4,191	829	56,722	425	57,147
Expenses	<u>(44,430)</u>	<u>(3,304)</u>	<u>(2,077)</u>	<u>(49,811)</u>	<u>(2,781)</u>	<u>(52,592)</u>
Operating profit/(loss)	<u>7,272</u>	<u>887</u>	<u>(1,248)</u>	<u>6,911</u>	<u>(2,356)</u>	<u>4,555</u>
Exchange adjustment on borrowings						1,210
Finance costs						(2,103)
Finance income						145
Share of loss of associates						(4)
Taxation						<u>(1,720)</u>
Profit for the period						<u>2,083</u>

Reported segments relating to the balance sheet as at 30 June 2023 are as follows:

	Frames and Optics	Wholesale	Lenses	Total before adjustments & eliminations	Adjustments & elimination	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Total assets	325,541	62,385	9,955	397,881	(167,916)	229,965
Total liabilities	<u>(177,949)</u>	<u>(6,040)</u>	<u>(13,836)</u>	<u>(197,825)</u>	<u>145,057</u>	<u>(52,768)</u>
	<u>147,592</u>	<u>56,345</u>	<u>(3,881)</u>	<u>200,056</u>	<u>(22,859)</u>	<u>177,197</u>
Deferred tax asset						6,337
Deferred tax liability						(8,203)
Current tax liability						(2,400)
Borrowings						<u>(66,754)</u>
Group net assets						<u>106,177</u>

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

NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)
For the period ended 30 June 2023

4. SEGMENT INFORMATION (CONTINUED)

The reportable segments subject to disclosure are consistent with the organisation model adopted by the Group during the six months ended 30 June 2022 (restated) are as below:

	Frames and Optics	Wholesale	Lenses	Total before adjustments & eliminations	Adjustments & elimination	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue						
External	93,166	9,919	1,724	104,809	-	104,809
Internal	2,892	2,352	113	5,357	(5,357)	-
	<u>96,058</u>	<u>12,271</u>	<u>1,837</u>	<u>110,166</u>	<u>(5,357)</u>	<u>104,809</u>
Cost of sales	<u>(48,166)</u>	<u>(6,712)</u>	<u>(1,491)</u>	<u>(56,369)</u>	<u>4,453</u>	<u>(51,916)</u>
Gross profit	47,892	5,559	346	53,797	(904)	52,893
Expenses	<u>(42,133)</u>	<u>(3,275)</u>	<u>(2,500)</u>	<u>(47,908)</u>	<u>(1,345)</u>	<u>(49,253)</u>
Operating profit/(loss)	<u>5,759</u>	<u>2,284</u>	<u>(2,154)</u>	<u>5,889</u>	<u>(2,249)</u>	<u>3,640</u>
Exchange adjustment on borrowings						(1,585)
Non-underlying costs						(911)
Finance costs						(1,371)
Finance income						39
Share of loss of associates						(1)
Taxation						<u>(2,685)</u>
Loss for the period						<u>(2,874)</u>

Reported segments relating to the balance sheet as at 31 December 2022 (restated) are as follows:

	Frames and Optics	Wholesale	Lenses	Total before adjustments & eliminations	Adjustments & elimination	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Total assets	327,596	70,197	10,470	408,263	(173,328)	234,935
Total liabilities	<u>(179,578)</u>	<u>(12,523)</u>	<u>(12,887)</u>	<u>(204,988)</u>	<u>151,354</u>	<u>(53,634)</u>
	<u>148,018</u>	<u>57,674</u>	<u>(2,417)</u>	<u>203,275</u>	<u>(21,974)</u>	<u>181,301</u>
Deferred tax asset						7,007
Deferred tax liability						(9,548)
Current tax liability						(1,435)
Borrowings						<u>(69,784)</u>
Group net assets						<u>107,541</u>

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

NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)
For the period ended 30 June 2023

4. SEGMENT INFORMATION (CONTINUED)

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

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

Adjusted items relate to elimination of all intra-Group items including any profit adjustments on intra-Group revenues 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.

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

Geographical analysis

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

	Unaudited 6 months ended 30 June 2023	Unaudited 6 months ended 30 June 2022 Restated
	£'000	£'000
United Kingdom	13,621	11,396
Europe (excluding UK)	52,161	52,278
North America	37,428	34,457
South America	1,315	349
Asia	2,993	3,228
Australia	3,515	3,033
Other	166	68
	<u><u>111,199</u></u>	<u><u>104,809</u></u>

NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)
For the period ended 30 June 2023

5. EARNINGS PER SHARE

Basic Earnings per Share (“EPS”) is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period 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. During the period to 30 June 2022 the Group made a loss; therefore, diluted EPS is not applicable as the impact of potential ordinary shares is anti-dilutive.

Basic earnings per share is £0.02 (30 June 2022: £(0.03)), with diluted earnings per share of £0.02 (30 June 2022: £(0.03)). The following table reflects the income and share data used in the basic and diluted EPS calculations:

6 months ended 30 June 2023	Basic weighted average number of Ordinary Shares ('000)	Total earnings (£'000)	Earnings per share (£)
Basic EPS	101,672	2,083	0.02
Diluted EPS	107,492	2,083	0.02
Adjusted PBT basic EPS	101,672	6,878	0.07
Adjusted PBT diluted EPS	107,492	6,878	0.06

6 months ended 30 June 2022 (restated)	Basic weighted average number of Ordinary Shares ('000)	Total earnings (£'000)	Earnings per share (£)
Basic EPS	101,672	(2,874)	(0.03)
Diluted EPS	107,028	(2,874)	(0.03)
Adjusted PBT basic EPS	101,672	7,530	0.07
Adjusted PBT diluted EPS	107,028	7,530	0.07

Within INSPECS Group plc, each Ordinary share carries the right to participate in distributions, as respects dividends and as respects capital on winding up.

NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)
For the period ended 30 June 2023

6. TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2023 £'000	Unaudited As at 30 June 2022 Restated £'000	As at 31 December 2022 Restated £'000
Trade receivables	26,298	25,038	22,670
Prepayments	3,381	3,237	2,267
Other receivables	6,968	6,257	6,207
	36,647	34,532	31,144

7. TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2023 £'000	Unaudited As at 30 June 2022 Restated £'000	As at 31 December 2022 Restated £'000
Trade payables	23,530	22,460	22,140
Amounts owed to related parties	185	185	198
Other payables	798	483	464
Social security and other taxes	4,723	4,593	4,232
Royalties & provisions	3,216	5,656	4,073
Accruals	6,469	6,798	8,046
	38,921	40,175	39,153

8. NET DEBT

	Unaudited As at 30 June 2023 £'000	Unaudited As at 30 June 2022 Restated £'000	As at 31 December 2022 Restated £'000
Cash and cash equivalents	25,862	25,179	22,153
Interest bearing borrowings excl. leasing	(46,449)	(46,081)	(48,300)
Invoice discounting	(2,089)	(708)	(1,490)
Net debt excluding leasing	(22,676)	(21,610)	(27,637)
Lease liability	(18,216)	(20,172)	(19,994)
Net debt including leasing	(40,892)	(41,782)	(47,631)

NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)
For the period ended 30 June 2023

9. NON-UNDERLYING COSTS

Non-underlying costs during the six months to 30 June 2022 related to accounting alignment of acquisitions which occurred in 2021 as well as work on ongoing acquisitions and restructuring.

10. SHARE-BASED PAYMENTS

Certain employees of the Group are granted options over the shares in INSPECS Group. The options are granted with a fixed exercise price and have vesting dates of between one and three years after date of grant.

The Group recognises a share-based payment expense based on the fair value of the awards granted, and an equivalent credit directly in equity to share option reserve. On exercise of the shares by the employees, the Group is charged the intrinsic value of the shares by INSPECS Group plc and this amount is treated as a reduction of the capital contribution, and it is recognised directly in equity.

Share options outstanding at the end of the period have the following expiry date and exercise prices:

Grant date	Expected life of options	Exercise price per option £	Number of share options
11 October 2019	3-5 years	1.01	412,102
27 February 2020	3-5 years	1.95	1,923,110
22 December 2020	3-5 years	2.10	1,290,000
26 February 2021	3-5 years	3.25	641,036
21 June 2021	3-5 years	3.51	90,000
31 August 2021	3-5 years	3.70	275,000
23 December 2021	3-5 years	3.70	414,999
28 February 2022	3-5 years	3.75	641,036

11. RESTATED PROFIT/(LOSS) BEFORE TAX

The 2022 Annual Report and Accounts included restated primary statements for the year to 31 December 2021 relating to a prior year adjustment concerning the treatment of contingent consideration payable on business combinations. The 30 June 2022 comparative primary statements have therefore also been restated within these interims, with the impact on profit before tax for the six months to 30 June 2022 being as follows:

	£'000
Profit before tax 30 June 2022 (converted to GBP)	581
Adjustments relating to earn-out on contingent consideration	(770)
Restated loss before tax 30 June 2022	<u>(189)</u>

NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)
For the period ended 30 June 2023

12. POST BALANCE SHEET EVENTS

Since the end of the interim period on 30 June 2023 there were no material events that the directors consider material to the users of these interim statements.