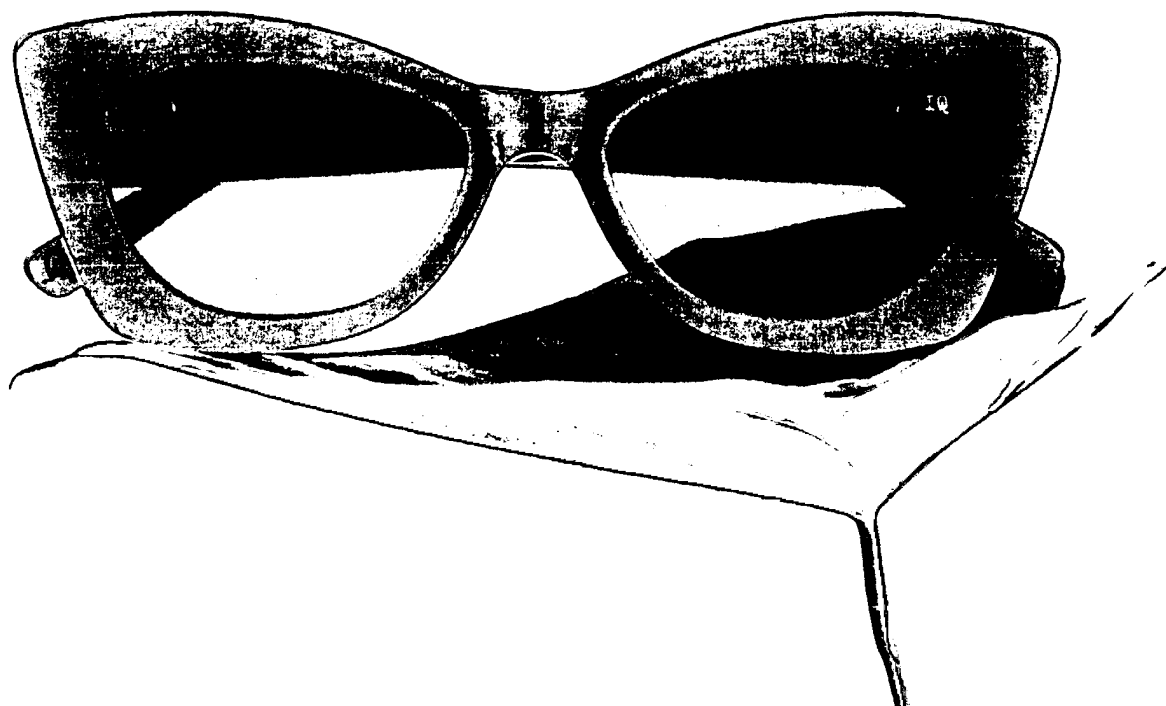


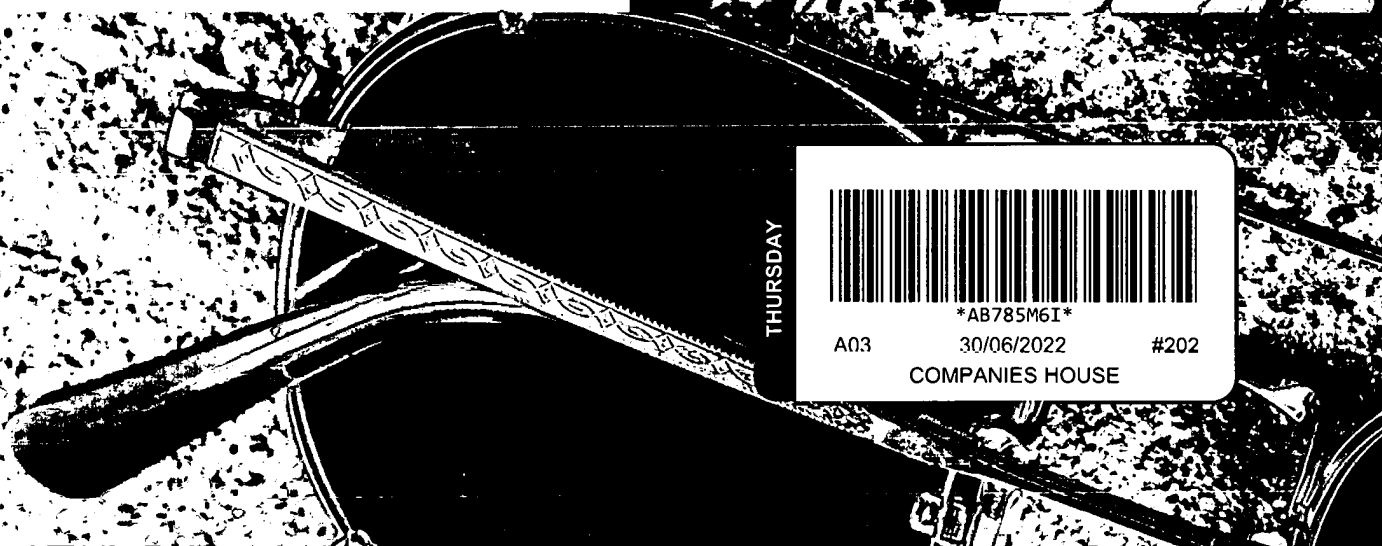
IISPECS

— GROUP PLC —



Always looking forward

Annual Report & Accounts 2021



THURSDAY



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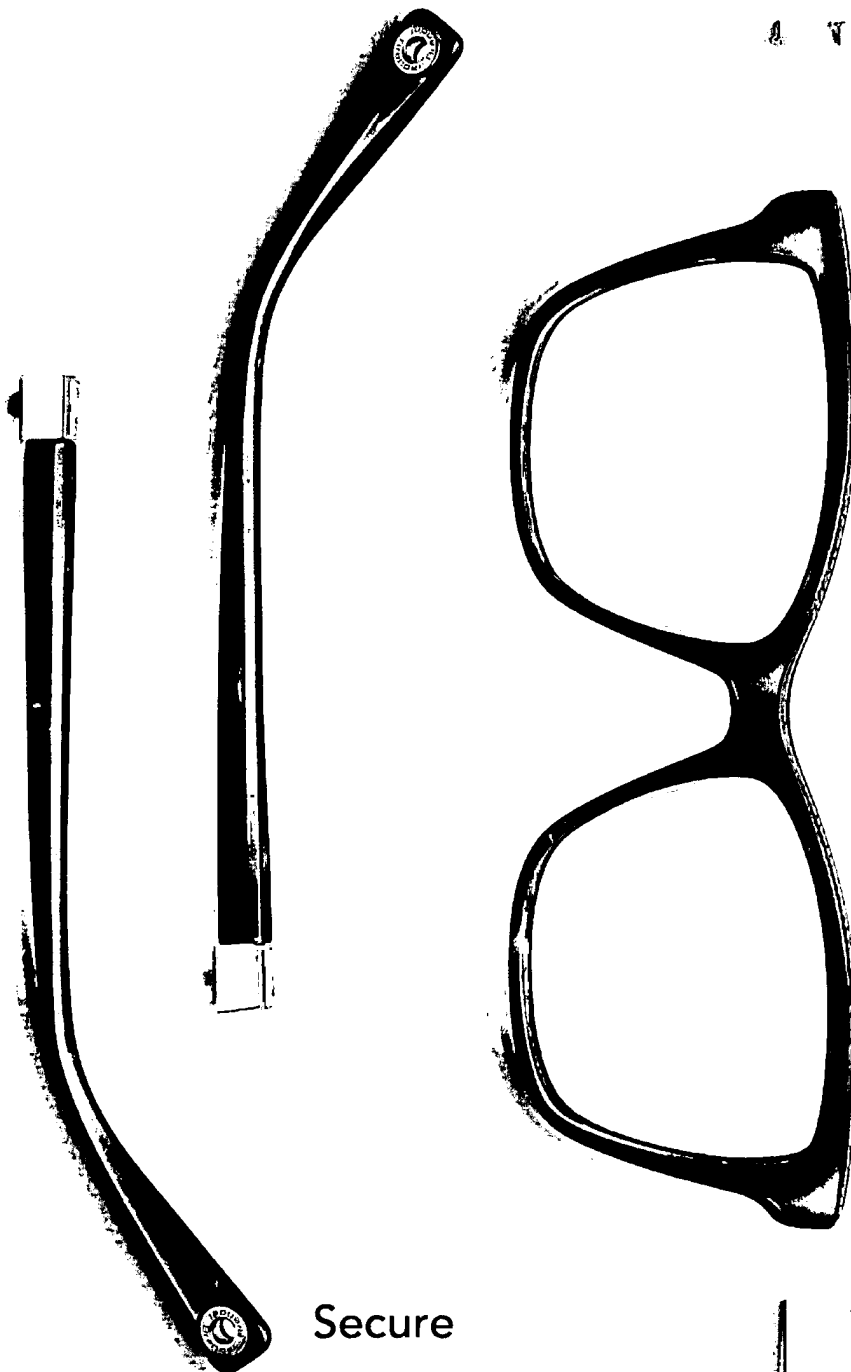
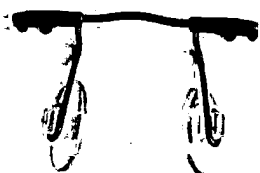
#202

COMPANIES HOUSE

Connected

A global network of retailers and brands

p24



Front Cover

Top: BOTANIQ™

Middle: BOTANIQ™

Bottom: Savile Row
Titanium

This page: Brendel

Opposite page:
Titanflex

Secure

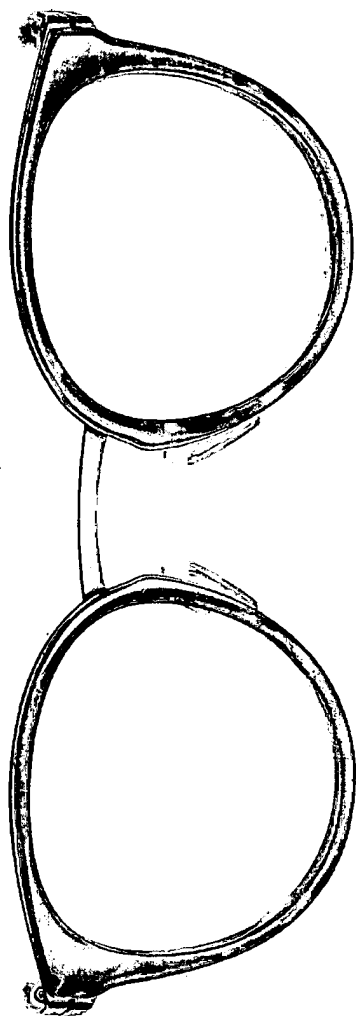
Position of financial strength

p32

Transparent

Being a responsible business

p44



Strategic Report

Group overview	06
Looking forward	10
Chairman's statement	12
Chief Executive Officer's review	16
Acquisitions 2021	20
Our strategy	22
How our model works	24
Our business model	26
Market overview	30
Chief Financial Officer's review	32
Key performance indicators	39
Environmental, Social and Governance	40
Section 172 statement	54
Risk management	59

Corporate Governance

Corporate Governance statement	64
Board of Directors	70
Key Management	72
Audit and Risk Committee Report	74
Remuneration and Nomination Committee Report	76
Directors' Report	79
Statement of Directors' Responsibilities	82

Financial Statements

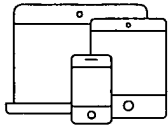
Independent Auditor's Report to the Members of INSPECS Group plc	86
Consolidated Income Statement	95
Consolidated Statement of Other Comprehensive Income	95
Consolidated Statement of Financial Position	96
Consolidated Statement of Changes in Equity	98
Consolidated Statement of Cash Flows	99
Notes to the Consolidated Financial Statements	100
Company Statement of Financial Position	142
Company Statement of Changes in Equity	143
Notes to the Company Financial Statements	144
Appendix 1 - Reconciliation of Adjusted Underlying EBITDA	150
Company Information and Advisers	151

Responsible

Addressing critical environmental issues

p46

Our highlights



www.INSPECS.com

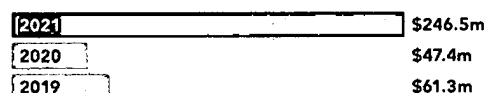
INSPECS has consolidated its position in 2021 as a leading provider of solutions to the eyewear market. From the largest optical chains to individual consumers we offer eyewear, lenses and combined packages.

INSPECS has made two further strategic acquisitions in 2021 and information on each of these is given on pages 20 and 21 of our report.

The Group continues to expand, innovate and create new opportunities in the global market.

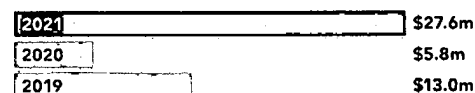
Revenue

\$246.5m



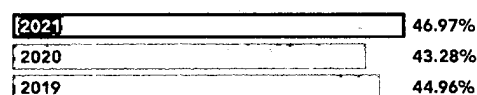
Adjusted Underlying EBITDA

\$27.6m



Gross margin

46.97%



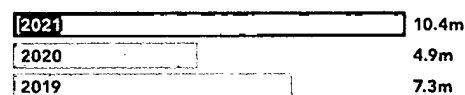
Profit & loss after tax

\$(5.44)m



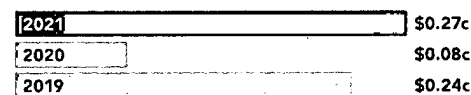
Eyewear units sold

10.4m



Adjusted Underlying EBITDA EPS

\$0.27c



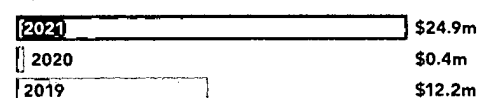
Diluted EPS

\$(0.05)c



Cash flows from operating activities

\$21.9m



Strategic Report

Group overview	06
Looking forward	10
Chairman's statement	12
Chief Executive Officer's review	16
Acquisitions 2021	20
Our strategy	22
How our model works	24
Our business model	26
Market overview	30
Chief Financial Officer's review	32
Key performance indicators	39
Environmental, Social and Governance	40
Section 172 statement	54
Risk management	59

01

Strategic report



A diverse & growing platform

We strive to be the first name in eyewear solutions through a vertically-integrated frame and lens platform.

Sustained and resilient top line growth

INSPECS has performed well in 2021 with revenues increasing to \$246.5m (\$47.4m in 2020), an increase of 420% and an Adjusted Underlying EBITDA for the year of \$27.6m (\$5.8m in 2020) a 375% increase. During the year, the Group has made two strategic acquisitions. These were BoDe Design based in Germany and EGO Eyewear Limited and its subsidiaries that principally operate in the UK, with a design centre in Sweden and an operations centre in Hong Kong. The Group also acquired the trademarks, rights and licences of Hardy Amies during the year.

80

Countries served via
our distribution channels

420%

Revenue growth



Enhancing a strong platform

Established Group

Through its established group of eyewear companies, bolstered by the recent acquisitions of BoDe Design and EGO Eyewear, INSPECS offers end-to-end global eyewear solutions. Serving over 75,000 retail outlets on six continents, INSPECS provides award-winning eyewear and lens product innovation, design, manufacturing, marketing, customer care, and sustainable solutions to all customers.

Well positioned

The eyewear market is consolidating at a rapid pace. With major retailers across the world also looking to reduce their supplier base, INSPECS offers viable solutions across the optical, sunglass and low vision sectors driven by customer needs. By being vertically integrated in optical frame and sunglass manufacturing, and with the added benefit of horizontal integration with lens and low vision aid manufacturing, INSPECS offers a unique blend of product choice, innovation, flexibility, and service.

Sustained growth

With BoDe Design, INSPECS has acquired a nimble and dedicated sales force in Germany and Austria that complements the already market-leading Eschenbach sales team by focusing on optical frame and sunglass retail, as well as e-commerce channels. In addition, the acquisition of EGO Eyewear has given the Group a solid foundation to build on in the Nordic and Japanese eyewear markets, adding prestigious brand licences to the existing portfolio, including Barbour and Liberty London.

75,000

Retail outlets served

Top: Superdry

Bottom: Brandal



Growing our global footprint

INSPECS is proud of its dynamic, diverse and creative teams that operate around the globe.

Global team circa

1,800

29%

Organic revenue growth

Europe

Bath, UK Global HQ, Design, Sales, Logistics, Distribution, Group Finance & Group HR

Birmingham, UK Design, Sales & Distribution

Gloucester, UK Lens manufacturing facility

Lisbon, Portugal Design & Logistics

Nürnberg, Germany Manufacturing, Design, Sales, Logistics & Distribution

Gemünden, Germany Design, Sales, Logistics & Distribution

Italy Manufacturing & Sales

Austria Sales

Czech Republic Sales

Denmark Sales

France Sales

Holland Sales

Poland Sales

Spain Sales

Sweden Design & Sales

Switzerland Sales

United States

New York Design & Sales

Muncy, Pennsylvania Logistics & Distribution

Clearwater, Florida Sales, Logistics & Distribution

Danbury, Connecticut Sales, Logistics & Distribution

Asia

Zhongshan, China Manufacturing

Shenzhen, China Quality Control

Wenzhou, China Manufacturing

Japan Sales

Hong Kong Logistics & Design

Macau Administration & Sales

Vietnam Manufacturing

At the end of the financial period our Group headcount comprised:

	2021	2020	2019
Distribution	56	53	53
Office based	270	280	123
Sales team and support	481	474	44
Lens manufacturing	49	29	–
Frame manufacturing	887	895	991
Executive and Senior Management	44	37	10
Total	1,787	1,768	1,221

Looking forward

We aim to deliver a high-performing, globally-aligned eyewear company that creates a dynamic platform for growth, inspires customer loyalty and exceeds expectations through our commitment to product, innovation, people and planet.

The business changed substantially in 2017 with the first part of our vertical integration strategy. Acquiring our own high-volume manufacturing base has transformed the Group from a wholesaler and licensing company using third party manufacturers to a producer of branded and private label products. This created a transparent supply chain that includes our own manufacturing sites in China, Vietnam, UK and Italy.

Since IPO in February 2020, INSPECS has continued its vertical integration, adding lens manufacturing capability through the acquisition of Norville and widening its sales distribution in Europe and the USA with the acquisition of Eschenbach.

The acquisition in 2021 of EGO Eyewear brings further distribution and additional licences, in particular Barbour, Liberty London, Lyle & Scott and Viktor & Rolf. Our distribution into a wider customer base in Germany and Austria is enhanced by the acquisition of BoDe Design.

Our management teams are now utilising the vertically-integrated platform to further develop opportunities for the Group in existing and innovative products to enhance distribution to current and new customers. In addition, the Group will also:

- Continue to expand production capacity of our Vietnam manufacturing sites
- Deliver on the planning application in progress for the development of a third site in Vietnam raising capacity to 12million+ units per annum in 2024
- Develop a new high-volume manufacturing plant in Europe during 2023 to be based in Portugal
- Continue growth of our B2B platforms, where independent opticians can shop online 24/7
- Continue to make strategic acquisitions, utilising synergies within the Group
- Expand the business combining frame and lens packages
- Continue developing Eschenbach's specialist low vision offering
- Continue to grow our worldwide distribution network



Our products for the market include:

Prescription eyewear

Ophthalmic frames produced under world-famous brands, house brands and private labels for some of the biggest optical retailers in the world.

Sunglasses

Eyewear designs for licenced and in-house brands, supplying high-quality sunglasses from the catwalk to the high street.

Safety eyewear

We offer prescription and regular safety specs under the Caterpillar brand, as well as medical PPE.

Lenses

An independent, high-quality lens manufacturing capability to the ophthalmic industry.

An enhanced product offer

The acquisition of Eschenbach in 2020 and the further acquisitions of EGO Eyewear and BoDe Design in 2021 has put the Group in a position to offer over 50 licenced and house brands to the global eyewear market. The Group design teams in the UK, USA, Germany, Portugal and Hong Kong have now been further enhanced by a design team based in Stockholm through the acquisition of EGO Eyewear. The Group is targeting regional and global sales opportunities in chain and independent markets with our enhanced offering.

Creating environmentally sustainable products forms part of our future growth. Highlights include our own house brand BOTANIQ™, which offers thoughtfully-designed, sustainable eyewear and our award-winning O'Neill 'Wove' frame made from recycled and recyclable materials.

Guided by a strong and experienced management team, our global team of circa 1,800 people gives INSPECS Group a powerful springboard for future growth.



Savile Row Titanium

Outlook

Looking forward, the Group is well-positioned in the global eyewear marketplace, strengthening its reputation for quality, design, innovation and delivery.

The Group has had a successful start to 2022, and the Group continues to win new customers. Our new Vietnam facility is now completed and operational. Our order books at the time of this report are higher than at the same time in 2021 on a like-for-like basis.

The Group is progressing with design and work on an additional plant in Vietnam to increase expected manufacturing capacity from 7 million to 12 million+ units. In April, the Group conducted a feasibility study and has sourced a new location in Portugal for its first high-volume production plant in Europe to produce premium quality eyewear for the European market that will significantly reduce environmental impact and lead time to our European customers.

We are pleased to report that Eschenbach has performed well since its acquisition on 16 December 2020, and trading has been positive in 2022.

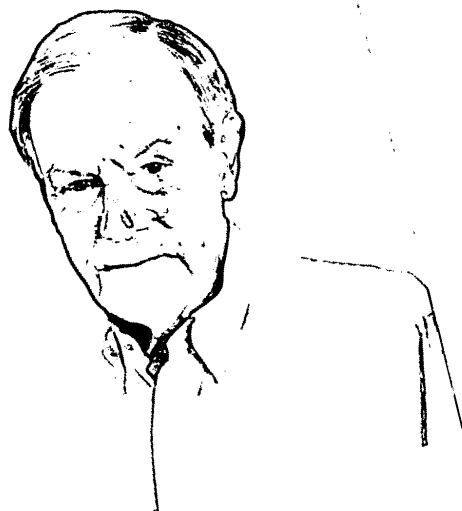
In addition, our acquisitions in 2021 of BoDe Design and EGO Eyewear have performed ahead of expectation in 2022.

The Group is constantly monitoring the affects of the political situation arising in the Ukraine and its effect on both raw material costs and the impact of higher energy prices. The Group continues to negate these cost increases through more efficient manufacturing, increasing pricing where appropriate on new products and inter-group supply cost efficiencies. As a result, we have been able to hold our margin, but the Group continues to work on improving margins where possible.

Whilst COVID-19 will continue to cause challenges, all our employees across the world have adapted successfully and performed well in difficult circumstances. From this robust and resilient position, the Group is well placed to deliver in the coming years for all stakeholders.

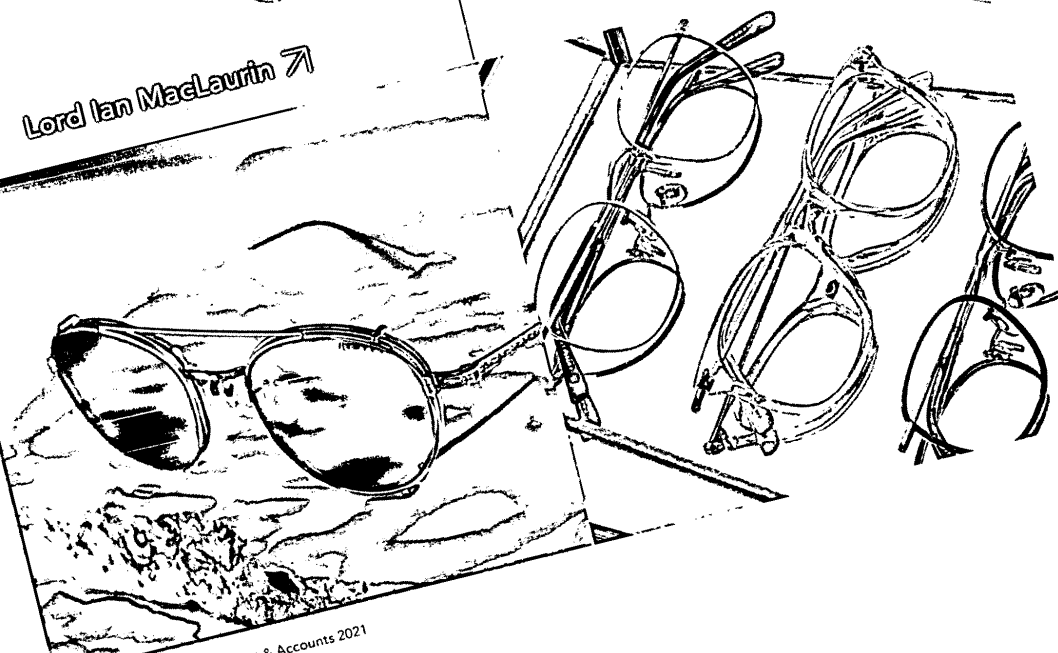
Robin Totterman
Chief Executive Officer

Christopher Kay
Chief Financial Officer



Continued *deliv*

Lord Ian MacLaurin 71



INSPECS Group plc is pleased to announce its results for the year ended 31 December 2021. The Group has continued to deliver in what has been another challenging year due to restrictions from COVID-19 and has produced a strong set of results following on from the acquisition of Eschenbach in December 2020.

I would like to thank all those across our various businesses who have worked tremendously hard, in difficult circumstances, to deliver these results for our stakeholders.

ery

Gathering momentum

Although our results for the year to 31 December 2021 include a full year of varying COVID-19 restrictions around the globe that affected our business, I am pleased to report that our employees rose to the challenge and were able to continue to deliver a strong performance for the year.

The acquisitions of Eschenbach and TURA have given the Group a better balance, by expanding into the independent optical market where we had previously been focused primarily on large global chains. The 12 months following the acquisition have produced positive results and there is no doubt that we have a robust platform for future growth.

As a result, our performance for the year has produced turnover of \$246.5m and an Adjusted Underlying EBITDA of \$27.6m compared to turnover of \$47.4m and an Adjusted Underlying EBITDA of \$5.8m in 2020.

I am also particularly pleased that the Group has managed to obtain, despite cost pressures, a gross margin increase from 43% in 2020, to 47% for the year to 31 December 2021.

The Group has reduced its loss before tax position from \$11.2m to \$9.1m. This performance was achieved despite incurring one-off costs of \$17.4m (2020: \$6.1m). See page 33 for details.

On the supply side, we suffered continual disruption in logistical supply and production in our factories, but despite these issues, the teams in Vietnam and China worked tirelessly to ensure that production disruption was kept to a minimum.

The Group's plans for further expansion in Vietnam and a major new European facility will ensure stability of the supply chain and increased capacity overall, fuelling the Group's growth.

Continuing Investment

The acquisition of Norville in 2020 was part of the strategy to enter into the lens market and in doing so be able to offer frame and lens packages.

I would like to thank the team at Norville who, in a very difficult year, have managed to keep production going even while moving from their original plant to a new state-of-the-art lens-making facility in Gloucester, UK. Moving a production plant at any time is challenging, but this was achieved with great efficiency. Although there was disruption to our trade, the long-term benefits of an efficient and modern manufacturing plant will lay a solid foundation for the future.

Two further acquisitions were made in 2021, and I'd like to welcome BoDe and EGO Eyewear to the INSPECS Group family. I look forward to seeing the positive impact these new members bring to the company. Additionally, developing the Hardy Amies brand through licensing and eyewear will further add to our premium offering.

Previous page

Top left: Superdry

Bottom left:
Savile Row Titanium

Bottom right:
Savile Row Gold

EGO

VIKTOR&ROLF
VISION

JOSEPH

IvanaHelsinki

LYLE&SCOTT
— EST 1874 —

2NDDAY

Barbour

DAY
BIRGER ET
MIKKELSEN

LIBERTY.

HENRI-LLOYD

BARBOUR
INTERNATIONAL

Valerie

FC BARCELONA

SALMING.

BoDe

ZWO"
FOR MEN

comma,

Hardy Amies

Top: Liberty
Middle: Superdry
Bottom: Barbour
International

Dividend

The Board intends to propose the Group's first dividend of 1.25p per share for the year to 2021 and continue with a progressive dividend policy in future years.

Our people

I am always impressed by the dedication and enthusiasm of our global teams who continue to make great strides in delivering the Group's strategy.

Our policy of sustainable expansion has proved to be successful despite the continued pandemic disruption, global energy crisis and general turmoil.

Finally, I would like to thank all of our stakeholders, who have supported the Group over the last few years.

Outlook

I know that both the management team and all our employees are excited about the prospects for 2022 and beyond, and therefore I look with confidence over the medium and long-term prospects for the Group as a whole and further development of its strategy that is proving to be successful.

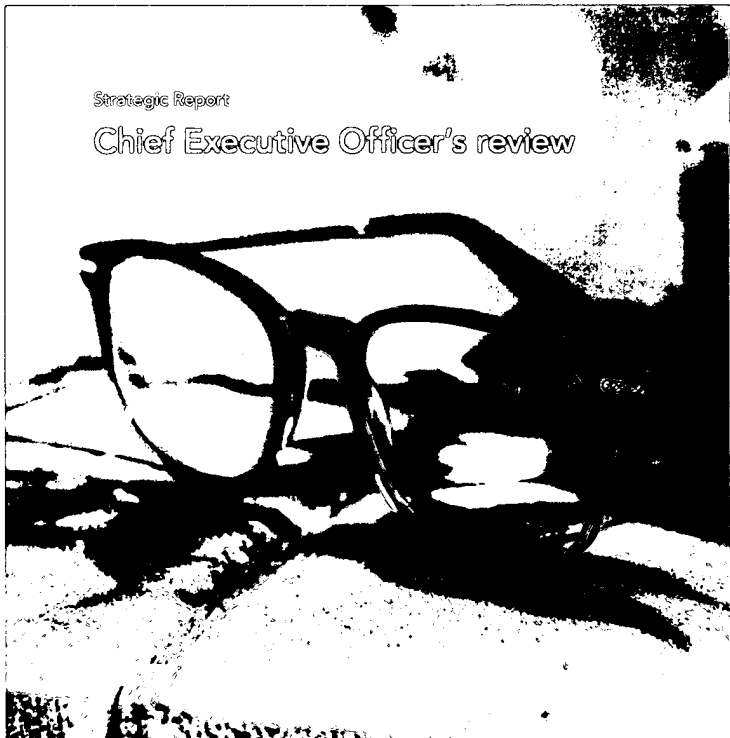
Lord MacLaurin
Chairman

29 June 2022

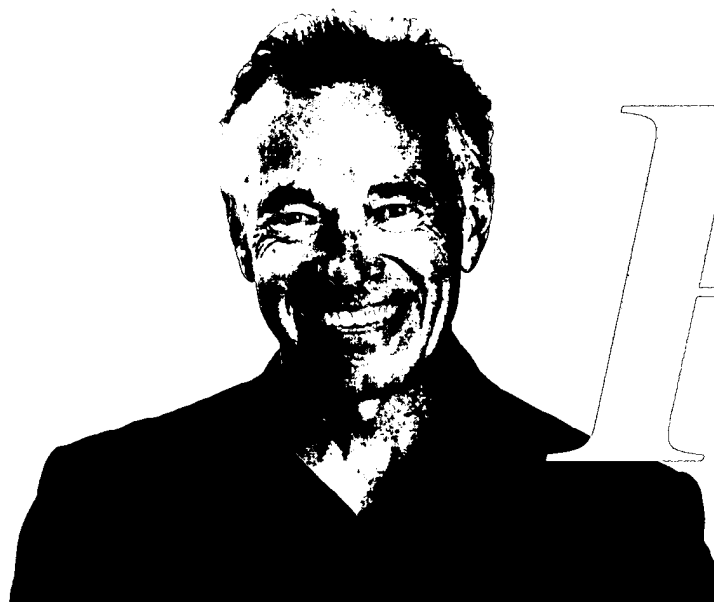


Strategic Report

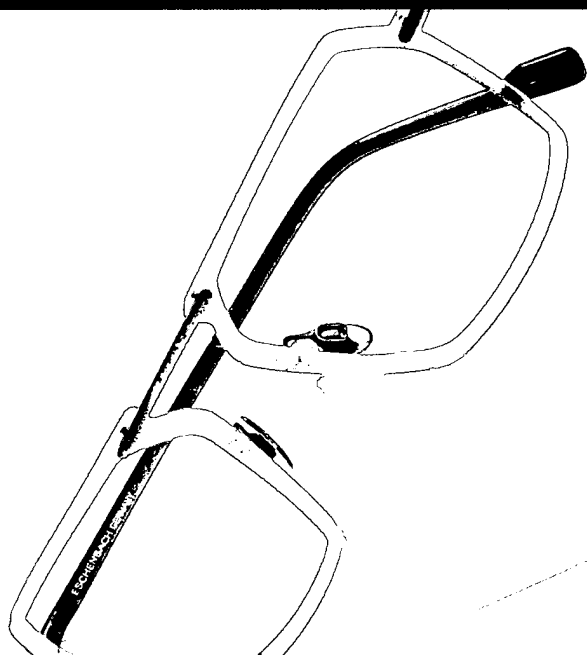
Chief Executive Officer's review



✍ Robin Totterman



Resi



2021 has been yet another year to remember! Barely had a glimmer of light presented itself following the pressures of the pandemic and its related supply chain issues before the energy crisis began. 2022 has already been marked by the invasion of Ukraine and I am inspired by the bravery of the Ukrainian people.

liena



Previous page

Top left: Savile Row
Titanium

Bottom left: Titanflex

Bottom right: Comma

Top: Marketing Meeting

Middle: ESG &
Innovation Meeting

Bottom: Titanflex

Chief Executive Officer's review continued

In the past year, the Group has continued its program of integrating new businesses into the Group and working on synergies to further build on its strengths. Our results for the year show a turnover of \$246.5m and an Adjusted Underlying EBITDA of \$27.6m compared to turnover in 2020 of \$47.4m and an Adjusted Underlying EBITDA of \$5.8m. I am also particularly pleased that the Group's margin, despite cost pressures in 2021, increased to 47.0% (43.3% in 2020).

I am delighted that the Group has once again won a number of prestigious awards for innovation and design, including multiple Red Dot awards and the SILMO d'Or, the industry's highest accolade.

The Group is performing well, notably our US businesses and our Vietnam based factory, NEO, where both plants are now fully up and running. The move from Norville's old premises to a state-of-the-art facility was successfully completed in the year, and we expect to see improving results from the increase in automation and upgrades through 2022. Eschenbach in Europe has had another strong year, circumnavigating the various COVID-19 restrictions by increasing its B2B online platform, coupled with in person meetings when restrictions allowed.

Acquisitions

Adding to the Group's premium heritage eyewear offering, I am delighted with our acquisition of iconic Savile Row brand Hardy Amies, in October 2021. Sir Hardy was the official couturier to Queen Elizabeth II for more than 40 years, and one of the most innovative and influential British designers of all time. We look forward to working with existing and new licensees, as well as launching an eyewear collection.



A clear
vision
for the
future

At the end of 2021, we acquired our German distributors BoDe Design, who have been our long-term partner in Germany, distributing to chains and online retailers. This energetic team's focus complements the Eschenbach business, which primarily sells to independent opticians.

In December 2021, the Group also acquired EGO Eyewear Limited and its subsidiaries, who have the licences for Barbour Eyewear, Liberty London, Viktor & Rolf and Lyle & Scott, among others. EGO mainly distributes brands to major optical chains and is known for its innovative and creative designs. EGO's design studio in Stockholm adds to our existing teams in the UK, Portugal, Hong Kong, Germany and New York.

Skunk works

Perhaps the most exciting future development at INSPECS is the progress on our cutting-edge technologies (described in detail on pages 52 to 53). The focus is on new material generation, smart eyewear, lens technology and sustainability, with truly ground-breaking and world-changing results. Agreements have been signed with Bosch for the collaborative development of smart eyewear. The Group has also started to supply lenses directly to Amazon.

Manufacturing Investment

Our Vietnam operation is now enhanced with a second plant, and our total production facility is now 8,800 sqm². The second factory came on stream during 2021, and we were able to increase supply by 72%. Our new sustainable, eco-friendly BOTANIQ™ range is being produced there.

We are actively engaged in the design and planning of a third facility to be completed by the end of 2023, that will add a further 8,000 sqm² and increase our production capability in Vietnam from 7 million to over 12 million units.

We have also advanced our plans in building a factory in Portugal, close to our existing Lisbon offices with a planned completion date of 2023. This facility will give us an attractive major European manufacturing base.

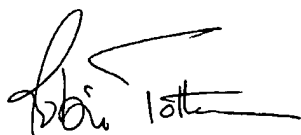
Outlook

The economic landscape improved during 2021, but I would note that there was increased disruption within our Group as we entered the late winter months of 2021. At present it would not seem reasonable to second guess what measures Governments around the world may have to resort to should the pandemic continue on in 2022, or further variants emerge.

However, the Group has a well-balanced platform and operates in a resilient market and I am pleased to report that the first three months of trading were ahead of our expectations.

We will continue to pursue our strategy of organic and acquisitive growth. I am confident we will be able to meet our targets and continue to grow in a sustainable and manageable way despite continued supply chain challenges. We will also continue to integrate the newly acquired companies across the Group, generating further opportunities for growth. I remain confident in the Group's ability to deliver to all stakeholders.

I'm pleased to announce that the Group intends to pay its first dividend of 1.25p for the year and continue with a progressive dividend policy in future years.



Robin Totterman
Chief Executive Officer

29 June 2022

The Group intends to pay
its maiden dividend of

1.25p

per share



BARBOUR
INTERNATIONAL

Enhanced

offer

The Group further enhanced its distribution and brand portfolio with the acquisition of EGO Eyewear and BoDe Design. The Group also purchased the trademarks, rights and licences to Hardy Amies, an iconic legacy designer brand.

EGO EYEWEAR

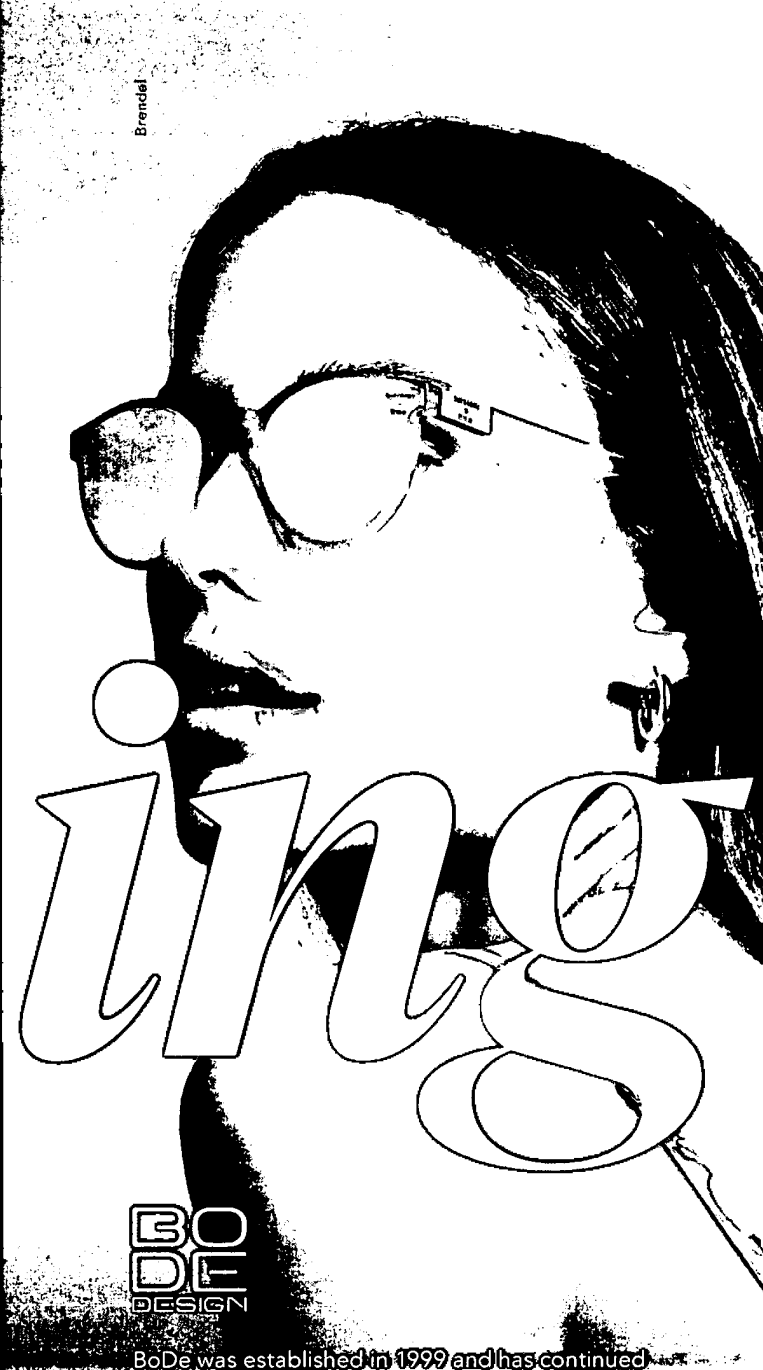
EGO has been designing and distributing beautiful eyewear around the world since 1961. The company was founded by Ronald Gezang's father and has been run by the family continually since 1961. The company now has operations in London, Osaka, Stockholm and Hong Kong and prides itself in having one of the best design studios in the industry in its Stockholm office.

They have an enviable reputation for high-quality, well-designed and on fashion eyewear in the market today. Its major brands include:

Its major brands include:

- Viktor & Rolf
- Valerie
- Ivana Helsinki
- Lyle & Scott
- Barbour
- Day Birger Et Mikkelsen
- Liberty London
- Henri Lloyd

EGO EYEWEAR has an operations office based in Hong Kong allowing direct communication with its subcontracted manufacturers based in China, and already integration opportunities exist both on distribution, manufacturing and design following the acquisition.



ingo

**BO
DE**
DESIGN

BoDe was established in 1999 and has continued to be run by Stefan Bopp and Matthias Deter since then. Based in Gemünden, Germany, the company has enjoyed continual growth and now supplies approximately 3,500 opticians across the German and Austrian markets.

The company currently distributes BOTANIQ™, Superdry and O'Neill for INSPECS in Germany and Austria. It also has own licensed and in house brands, Comma and ZWO, to enhance its offering.

The company has its own distribution centre in Gemünden, Germany.



Hardy Amies

In 2021, the Group acquired from the administrator the worldwide trademarks, rights and licences to the Hardy Amies brand. This British fashion house was started by Sir Hardy Amies and had an enviable reputation in the couture and fashion markets for many years. INSPECS Group will continue to expand the licence fee income generated by the brand and is currently designing a bespoke range of eyewear for launch to the market in 2023.

Our strategy

INSPECS' continued growth has further established its position as one of the world's leading eyewear companies.

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

Grow

01

Grow our in-house eyewear manufacturing capacity

In 2021, the Group commenced production in our new manufacturing plant in Vietnam. As a result, capacity in Vietnam was raised from 4m units in 2020 to 7m in 2021. Planning permission and design for a third site raising capacity to 12m units+ is in progress in 2022.

02

Grow our lens manufacturing capacity and expand our high-end products globally

In 2021, we moved our lens manufacturing plant to a new site. Our new state-of-the-art facility in Gloucester commenced production in December 2021, raising capacity production nearly four-fold from the previous plant.



03

Expand our chain and independent optical customer base around the globe

INSPECS has continued despite COVID-19 to increase its offering of both branded and private label eyewear to our global optical chains and continues to grow the number of independent opticians and chains that it supplies.

04

Make selective acquisitions to boost growth and profitability in future years

The Group made three acquisitions in 2021 and is continuing to work on further strategic acquisitions in 2022. As a result, our brand portfolio has increased by an additional two in-house brands and 11 licensed brands.

Previous page
Left: Superdry

Left: CAT Precision
Right: Barbour

How our model works

Who we are



INSPECS Group plc is vertically integrated from frame and lens manufacturing to design, brands, sales, marketing and distribution.

INSPECS
EYEWEAR

Manufacturing, design & distribution

ESCHENBACH

Manufacturing, design & distribution

TURA

Design & distribution

Norville

Lens manufacturing

KILLINE

Eyewear manufacturing

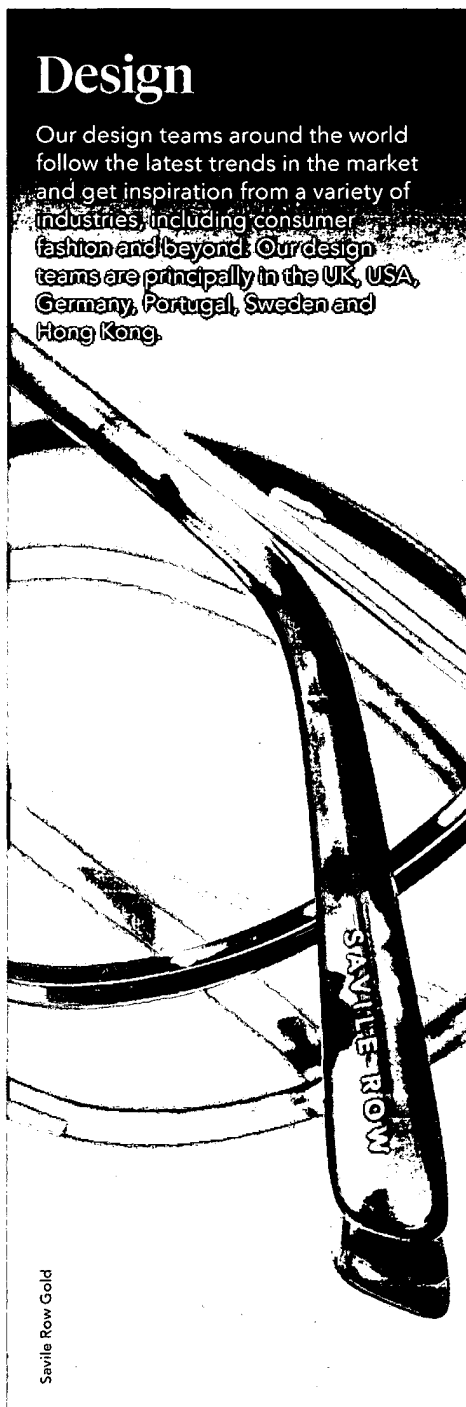
What we do

Design

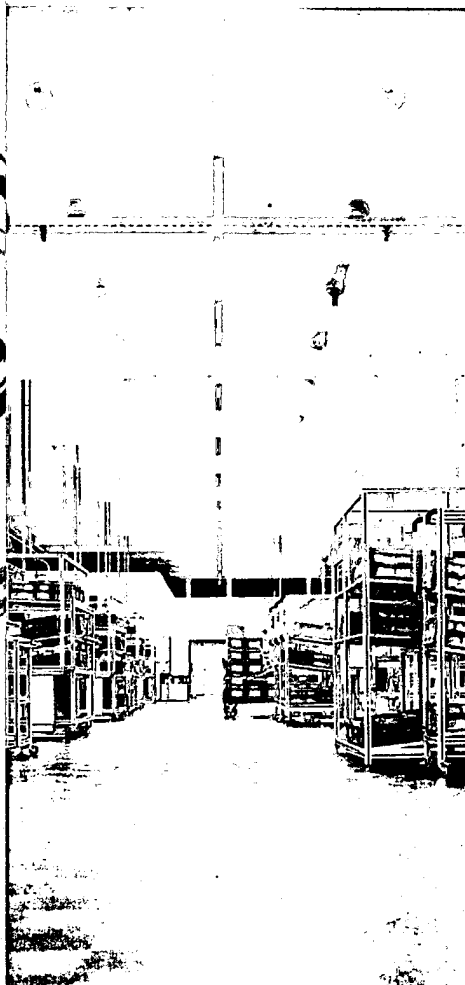
Our design teams around the world follow the latest trends in the market and get inspiration from a variety of industries, including consumer fashion and beyond. Our design teams are principally in the UK, USA, Germany, Portugal, Sweden and Hong Kong.

Manufacture

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



Savile Row Gold



**Underpinned
by our strong
brands**

Brands under Licence:

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 companies.

Market

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

Brands

The Group continues to expand its in-house and licenced brand offering to the market for worldwide distribution:

50
2021

37
2020

12
2019

Super Dry

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.

Network

75k
2021

70k
2020

30k
2019

Distributed eyewear units

10.4m
2021

4.9m
2020

7.3m
2019

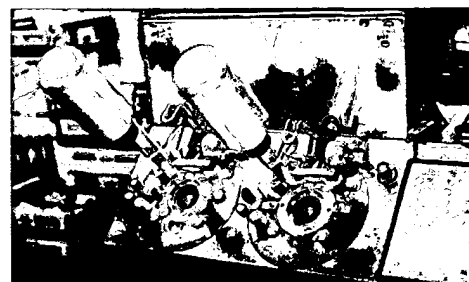
House Brands:

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

Private Label/OEM:

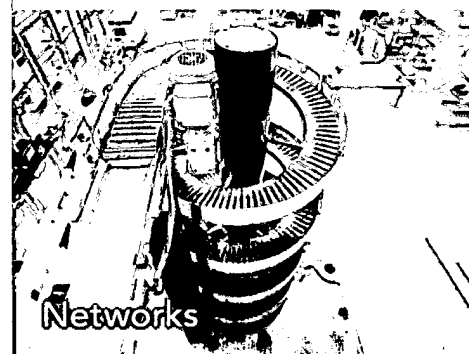
We are helping some of the biggest retailers in the world to grow by targeting specific consumer opportunities in-store. Our 360-degree service delivers expertly-designed private-label eyewear with the reassurance of traceable industry benchmark in-house manufacture.

What sets us apart



Experience

- Vertically-integrated model providing a complete eyewear solution
- Innovative design and creativity
- Global experienced manufacturing teams
- In-house design



- Ownership of our own lens manufacturers with combination frame and lens package capability
- Full traceability as a trusted supplier to global retail chains
- Independently audited factories



- We operate as a fair organisation and all our employees are key. We endeavour to give the best industry working environment for all our staff

Licensed brands

Our teams around the globe
work with leading brands
to create award-winning
eyewear collections.

The company shares all
20% of the net profit of the
collection globally
with the brand owner
to ensure mutual benefit

Barbour

VIKTOR®ROLF
VISION

極度乾燥(しなさい)
Superdry®

Valerie

ROALD DAHL

BARBOUR
INTERNATIONAL

**ZUMA
ROCK**

O'NEILL

BUFFALO
DAVID BITTON

L.A.M.B.

CAT®

gX
by GWEN STEFAN

comma,

HENRI-LLOYD

Marc O'Polo

DAY
BIRGER ET
MIKKELSEN

KATE YOUNG
FOR
Tura
Est. 1938

TURA
by
**LARA
SPENCER**

F FARAH®

LIBERTY.

RADLEY
LONDON

hype.

MINI

TALBOT RUNHOF
EYEWEAR

IvanaHelsinki

LULU GUINNESS
LONDON

TED BAKER®
LONDON

 **FREE COUNTRY**

LYLE & SCOTT
EST 1874


SANTANA

GEOFFREY BEENE

///NASCAR

Strategic Report

Our business model continued



House

brands

BOTANIQ®
Sustainable eyewear. Thoughtfully made.

Hardy Amies

SAVILE ROW®
HANDMADE IN ENGLAND

BRENDEL
EYEWEAR

HERO®
FOR MEN

THE  FRAME CO.

episode

HUMPHREY'S
eyewear

 **TITANFLEX**
Flexibler. Robuster. Leichter.

 **EYESTUFF®**

JOS.
ESCHENBACH

 **TURA**

fineline

OCEANBLUE®

ZOFFANI®

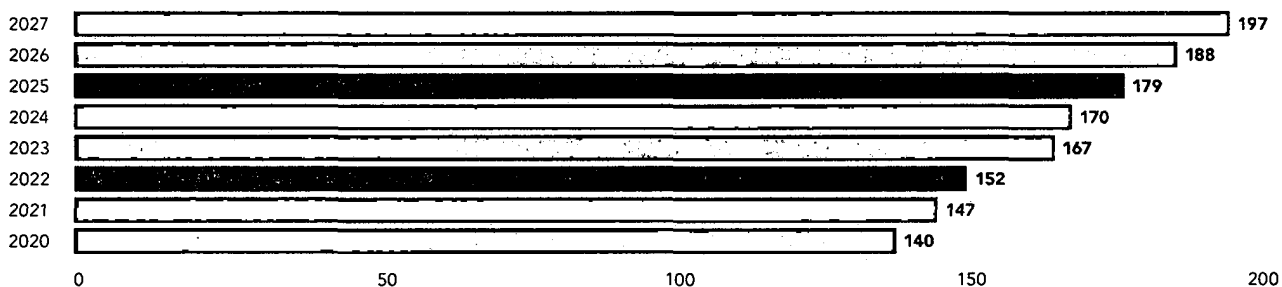
FREIGEIST
german eyewear

PUCCINI®
eyewear

ZWO"
FOR MEN

Resilient. *Essential.*

Global eyewear market value in US Dollars (Billions)



The eyewear market has suffered some disruption in 2021 as a result of COVID-19 but has proved to be resilient and, despite some lockdowns around the globe, access to ophthalmic eyewear has been deemed to be essential and much of the market has remained open.

The industry like others has noted cost inflation in raw materials and in particular shipping and distribution costs. However, overall the market has remained positive in 2021 despite these headwinds.

The global eyewear market size reached US\$140BN in 2020 and is expected to grow to \$197BN by 2027 a CAGR of 5% (source Statista).

The eyewear market is made up of spectacles, contact lenses, sunglasses and other eyewear products. This is typically broken down into four categories: prescription (Rx) eyeglasses, non-prescription sunglasses, over the counter readers and contact lenses.

By 2027 the global eyewear market is expected to grow to

\$197bn

Driving forces

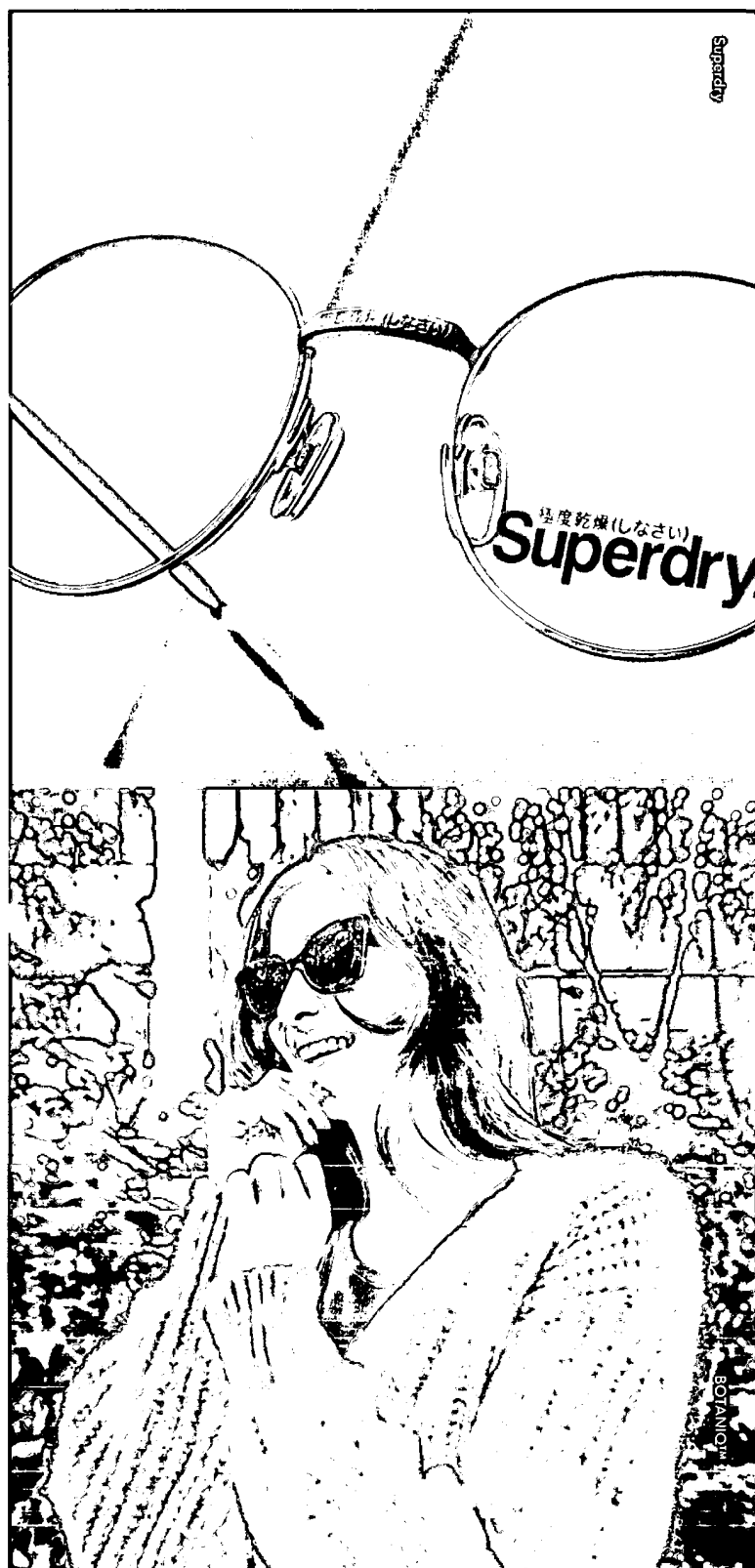
The key factors driving the market growth are:

- Ophthalmic disorders, increased awareness of eye examinations and the perceptions of eyewear as a fashion accessory.
- Growth in social media is offering enhanced growth prospects in the market and creating new channels for eyewear companies to market their products.
- Health issues such as diabetes are influencing the need for corrective eyewear.
- Growth in the aging population.
- Increase in the use of mobile phones, digital screens and a rise in computer vision syndrome (CVS).
- The growing popularity of online learning has resulted in children developing CVS.
- Adoption of anti-fatigue and anti-glare glasses.

Distribution channels

The bricks and mortar segment represented 79% of the global eyewear market in 2020.

E-Commerce segment of the market continues to grow, encouraged by the increase in online shopping activity.



- Bricks and mortar
- E-Commerce



- Optical frame
- Contact lenses
- Sunglasses

Source "expertmarketresearch"

60%
of the global eyewear
market is optical frames

Strategic Report

Chief Financial Officer's review

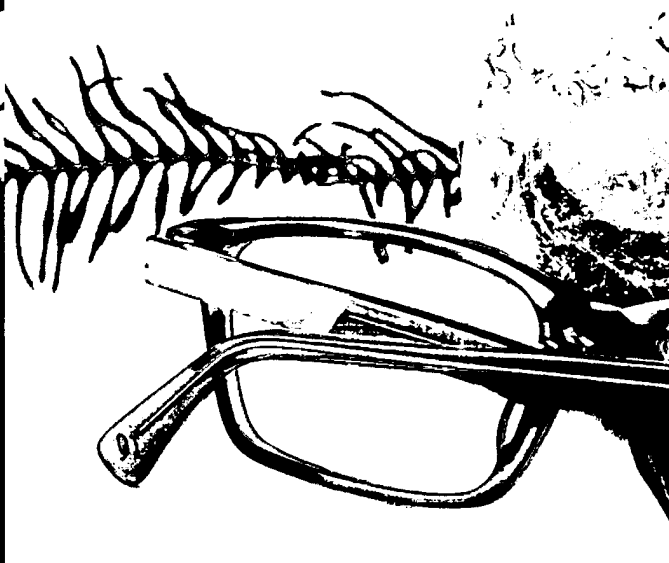


Building

Chris Kay 71



Dinner



The Group has continued to build on its enlarged base in 2021 and has delivered a good set of results overall in challenging circumstances. Our order books for 2022 are positively placed and together with our strategic acquisitions in 2021 the Group is well positioned for further growth in 2022.

Our FY21 results showed an increase in sales of \$199.1m to \$246.5m. The Group delivered Adjusted Underlying EBITDA of \$27.6m (FY20: \$5.8m).

Reported loss before tax of \$9.1m (FY20: \$11.2m) is after incurring a purchase price adjustment (\$6.0m), exchange adjustments on borrowings (\$5.4m) and impairment of intangible assets (\$3.4m).

tum

	FY21	FY20
Revenue	246,471	47,415
Gross Profit	115,771	20,522
Operating Expenses	(88,215)	(14,722)
Adjusted Underlying EBITDA	27,556	5,800
Share-based payments	(1,484)	(1,706)
Depreciation, amortisation and Impairment on intangible assets	(18,450)	(3,906)
Restructuring costs	–	(185)
Foreign Exchange on funding for acquisitions	–	(1,085)
Post-acquisition insurance costs	–	(563)
Loss for acquisition in period	(90)	(1,295)
Purchase price adjustment	(5,991)	–
Operating profit/(loss) before non-underlying costs	1,541	(2,940)
Loss before tax and non-underlying costs	(6,544)	(5,400)
Reconciliation to reported results		
Operating profit/(loss) before non-underlying costs	1,541	(2,940)
Non-underlying costs	(2,588)	(5,763)
Negative goodwill on bargain purchase	–	506
Movement in fair value on derivative	–	(740)
Exchange adjustments on borrowings	(5,418)	(382)
Share of associate profit	(10)	–
Net finance costs	(2,657)	(1,844)
Loss before tax	(9,132)	(11,163)
Tax credit	3,697	2,250
Loss after tax	(5,435)	(8,193)

Revenue

Total revenue for the year was \$246.5m, an increase of \$199.1m from \$47.4m in 2020. The increase in revenue was in part driven by the acquisition of Eschenbach in late 2020, which contributed \$186.7m of revenue in 2021. Excluding the Eschenbach and Norville acquisitions, revenue grew from \$40.3m to \$52.1m, an increase of \$11.8m or 29%.

Gross margin

The Group's gross margin overall was 47.0% compared to 43.3% in 2020, an increase of 3.7 points from the previous year. This increase was partly due to the mix of sales between independent opticians and our traditional chain business.

Adjusted Underlying EBITDA

The Group targets Adjusted Underlying EBITDA as its key operating performance indicator. Our Adjusted Underlying EBITDA increased by \$21.8m, from \$5.8m to \$27.6m, an increase of 375% in 2021.

Previous page

Top left: O'Neill

Bottom left: Mini

Bottom right: BOTANIQ™

Chief Financial Officer's review continued

Operating expenses

Our operating expenses increased from \$23.5m in 2020 to \$114.2m in 2021. The increase was driven primarily by the additional operating expenses of Eschenbach and Norville. A more detailed analysis of these expenses is shown below:

	Year Ended 31 December 2021 \$'000	Acquisitions Eschenbach & Norville \$'000	Adjusted Year Ended 31 December 2021 \$'000	Adjusted Year Ended 31 December 2020 excluding Eschenbach & Norville \$'000	Percentage change
Revenue	246,471	194,290	52,181	40,298	29%
Gross Profit	115,771	91,940	23,831	17,532	36%
Distribution	(7,795)	(6,640)	(1,155)	(451)	156%
Wages & Salaries	(62,160)	(51,716)	(10,444)	(9,280)	13%
Admin	(44,275)	(31,035)	(13,240)	(9,080)	46%
Total Operating expenses	(114,230)	(89,391)	(24,839)	(18,811)	32%

The table below sets out our operating costs adjusted for the acquisitions of Eschenbach and Norville as a percentage of revenue.

	Adjusted Year Ended 31 December 2021 \$'000	Percentage of revenue	Adjusted Year Ended 31 December 2020 \$'000	Percentage of revenue	Percentage change
Revenue	52,181	–	40,298	–	–
Gross Profit	(23,831)	46%	17,532	44%	↑2%
Distribution	(1,155)	2%	(451)	1%	↑1%
Wages & Salaries	(10,444)	20%	(9,280)	23%	↓3%
Admin	(13,240)	25%	(9,080)	23%	↑2%

Loss before tax

In 2021 the Group made a statutory loss before tax of \$9.1m (FY20: loss \$11.2m), a reduction in loss of \$2.1m. The Group made an Adjusted Underlying EBITDA of \$27.6m (FY20: \$5.8m). The Group strategy is to grow the business by making strategic earning enhancing acquisitions, and also to improve the performance of the organic businesses. Acquisitions affect the difference between our Adjusted Underlying EBITDA and the loss before tax in the form of one-off items which are included in the reconciliation below:

	2021 \$m	2020 \$m
Adjusted Underlying EBITDA	27.6	5.8
Non-cash adjustments		
1. Depreciation and amortisation	(15.0)	(3.9)
2. Purchase Price Allocation ("PPA") adjustments	(6.0)	–
3. Intangible asset impairment	(3.4)	–
4. Exchange adjustments on borrowings	(5.4)	(0.4)
5. Share based payment	(1.5)	(1.7)
6. Other	(0.1)	(3.4)
SUB TOTAL	(3.8)	(3.6)
Non-underlying costs	(2.6)	(5.8)
Net finance costs	(2.7)	(1.8)
Loss before tax	(9.1)	(11.2)

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

Purchase Price Allocation ("PPA") adjustment

On 16 December 2020 following the acquisition of the Eschenbach Group of companies, finished goods acquired were revalued to their fair value in accordance with IFRS3. This inventory has sold through in 2021 and has given rise to an additional one-off charge of \$5.99m.

Impairment of intangible assets

During the year, the Board reviewed Group activities in order to consider any indicators of impairment which may affect the carrying value of intangible assets.

It was noted that an indicator of impairment arose relating to a customer relationship with a carrying value of \$3.7m as at 31 December 2021. As a result, an impairment review was completed to compare the recoverable amount of the asset against its carrying value. This review has given rise to a non-cash impairment charge of \$3.45m.

Exchange adjustments on borrowings

Following the acquisition of Eschenbach in December 2020, INSPECS Ltd acquired the shareholder loans of Eschenbach which are denominated in Euros. The functional currency of INSPECS Ltd is GBP giving rise to exchange adjustments recognised in the year.

Tax

Following the acquisition of the Killiney Group of companies in 2017, the Group provided an uncertain tax reserve for potential challenges in relation to transfer pricing. During 2021, a further transfer pricing review was undertaken by our external advisors and following this review, part of the uncertain tax provision amounting to \$2.2m has been released. During 2022, a further review of uncertain tax provisions is being carried out in relation to the remaining balance of \$0.6m.

Prior year adjustments

During the current period it was determined that certain balances reported as cash balances in 2020 that pertained to Eschenbach, did not meet the requirement that they are readily convertible into cash. A prior year adjustment has therefore been made to reclassify \$6.3m from cash and cash equivalents to trade and other receivables in the comparative balance sheet.

During the year, a detailed review of TURA Inc., a subsidiary of the Eschenbach Group that was acquired in December 2020, was undertaken. Adjustments have been made to the acquisition balance sheet in 2020 following this review. The net impact of these adjustments resulted in an increase to goodwill of \$744k (see note 2 of the financial statements for further details).

Cash position

During the year the Group generated \$25.2m in cash flows from operating activities (2020: \$403k). The Group has used the cash generated to continue to invest in new plant and equipment, further acquisitions and enhancing the Group's long term growth strategy.

An analysis of how the Group has deployed its free cash flow in the year is set out below.

	31 December 2021 \$'000	31 December 2020 \$'000
Cash and cash equivalents at the beginning of year	23,776	6,502
Net cash from/(used) in operating activities	20,017	(748)
Net cash used in investing activities	(15,661)	(110,658)
Net cash from financing activities	1,704	128,712
Increase in cash and cash equivalent	6,060	17,306
Foreign exchange movements in the year	(77)	(32)
Cash and cash equivalents including overdrafts at the year end	29,759	23,776

The breakdown of net cash used in investing activities is

Purchase of intangible fixed assets	(1,508)	(167)
Purchase of property, plant and equipment	(6,137)	(2,152)
Acquisition of subsidiaries, net of cash acquired	(8,134)	(108,075)
Interest received	118	36

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. The Group's working capital position is set out below.

	Year ended 31 December 2021				Year ended 31 December 2020			
	Total	>30 Days	>60 Days	>90 Days	Total	>30 Days	>60 Days	>90 Days
Debtors	29.4m	18.4m	6.6m	4.4m	25.1m	11.8m	6.9m	6.4m
Percentage	100%	63%	22%	15%	100%	47%	28%	25%

Inventory

Our sales to inventory ratio adjusted for the Eschenbach acquisition increased from 3.8 to 4.4.

	31 December 2021	31 December 2020 Less Eschenbach	31 December 2020
Turnover	246.5m	44.4m	47.4m
Inventory	55.7m	11.6m	55.5m
Sales to inventory ratio	4.4	3.8	0.9

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.

In December 2021 the Group acquired two entities and the worldwide trademarks, rights and licences to the Hardy Amies brand, this resulted in an increase in current liabilities. The acquisitions are for the ongoing benefit of the Group, and not the short-term position.

	Year ended 31 December 2021	Year ended 31 December 2020
Current Assets	131.1m	124.7m
Current Liabilities	82.9m	68.4m
Ratio	1.6	1.8

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.

The small reduction in the ratio is due to the acquisitions made at the end of the year, as noted in the current asset ratio.

	Year ended 31 December 2021	Year ended 31 December 2020
Current Assets	131.1m	124.7m
Less Inventory	(55.7)m	(55.5)m
	75.4m	69.2m
Current Liabilities	82.9m	68.4m
Ratio	0.9	1.0

Net debt

During the year the Group increased its \$35.0m Revolving Credit Facility (RCF) with HSBC by \$1.5m, which was drawn down to \$35.3m at 31 December 2021. A new multi-currency term loan of \$18.7m was agreed with HSBC. An additional \$10.0m RCF was agreed with HSBC, which was drawn down to \$6.0m at 31 December 2021.

The additional financing received during the period allowed the consolidation of loans from across the Group, this included the repayments of loans within the Eschenbach Group, repayment of COVID-19 support loans, and the acquisitions of BoDe and EGO Eyewear.

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

	Year ended 31 December 2021	Year ended 31 December 2020
	(\$millions)	(\$millions)
Cash at Bank	29.8	26.4
Borrowings	(62.5)	(59.6)
Leasing	(22.4)	(20.3)
Net Debt	(55.1)	(53.5)
Net Debt (excluding leasing)	(32.7)	(33.2)

Depreciation and amortisation

The increase in depreciation and amortisation is driven by a full year of the charge on the assets of the Eschenbach Group acquired on the 16 December 2020.

	31 December 2021	31 December 2020
	(\$millions)	(\$millions)
Depreciation	7.4	2.3
Amortisation	7.6	1.6
Total	15.0	3.9

Leverage (using debt to equity ratio)

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

	2021	2020
Including leasing finance	1.9	1.6
Excluding leasing finance	1.2	1.4
Required ratio	2.0	2.5

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

The Group's loss per share decreased from \$(0.13) in 2020, to \$(0.05) in 2021, a reduction of 62% per share. On an Adjusted Underlying EBITDA basis, earning per share increased from \$0.08 in 2020 to \$0.27 in 2021, an increase of 225% per share.

Dividend

The Group intends to propose its maiden dividend of 1.25p per share and continue with a progressive dividend policy in future years.

Going concern

The Directors have undertaken a comprehensive assessment of the Group's ability to trade out to 31 December 2023. Details of this are given in the Directors' report on pages 79 to 81. 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 and therefore the Directors continue to adopt the going concern basis in preparing the consolidated parent and company financial statements.



Chris Kay
Chief Financial Officer

29 June 2022



Key performance indicators

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

Turnover

\$246.5m

↑ 420%

2021	\$246.5m
2020	\$47.4m
2019	\$61.3m

Gross profit margin

47.0%

↑ 3.7PTS

2021	47.0%
2020	43.3%
2019	45.0%

Net current assets

\$48.2m

↓ (14)%

2021	\$48.2m
2020	\$56.2m
2019	\$3.73m

Eyewear units sold

10.4m

↑ 112%

2021	10.4m
2020	4.9m
2019	4.6m

Gross profit

\$115.8m

↑ 464%

2021	\$115.8m
2020	\$20.5m
2019	\$27.5m

Fully diluted EPS

\$(0.05)c

↑ 69%

2021	\$(0.05)c
2020	\$(0.13)c
2019	\$0.11c

Adjusted Underlying EBITDA

\$27.6m

↑ 375%

2021	\$27.6m
2020	£5.8m
2019	\$13.0m

Net cash from operating activities

\$20.0m

↑ 2,776%

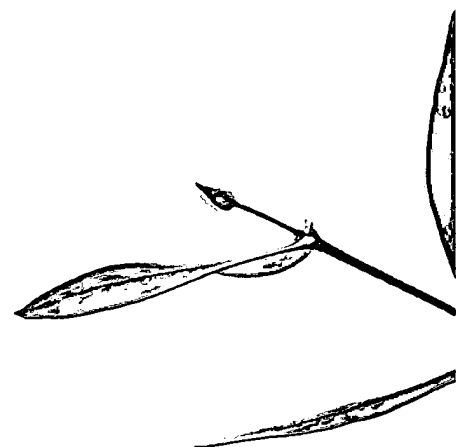
2021	\$20.0m
2020	\$(0.75)m
2019	\$10.6m

Always *looking* forward

Over the last 12 months our sustainability framework has been developed, clearly demonstrating the roadmap to our commitment to addressing critical environmental issues along with maintaining a positive environment for all our employees around the globe.

We approach the management of Environmental, Social and Governance (ESG) with the same care and discipline as any other business risk. We continue to invest in this area of the business and use external expertise and systems to support our commitment to ESG across each part of our Group.

Our Group vision of 'Always Looking Forward' embeds itself into our ESG strategy and our purpose of innovation, commitment and integrity are reflected throughout. We consider ESG to be fundamental to the Group.





In this report we look at the areas that matter to us and continue with our key pillars:

Environmental matters

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

[Read more 46](#) ↗

Social matters

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

[Read more 44](#) ↗

Governance matters

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

[Read more 62](#) ↗

Environmental, Social and Governance continued

<h3>Chemical waste</h3>  <p>The Group will continue to use environmentally friendly chemical products and where these cannot be used the Group will ensure the minimum use and correct disposal of chemical products.</p>	<h3>Accountability and measurement</h3>  <p>The Group will continue to invest in a sustainability department that will be tasked with not only new ideas but monitoring and tracking our performance and reporting to all our stakeholders.</p>
<h3>Working with our employees</h3>  <p>As a Group we will endeavour to learn from our employees who have demonstrated ideas and plans across the Group to reduce waste.</p>	<h3>Utility consumption</h3>  <p>With manufacturing operations in the Group we have a dedicated department that targets continued reduction in our energy and water consumption across the Group.</p>
<h3>Supply chain</h3>  <p>The Group will endeavour to work with all our stakeholders to ensure that our distribution around the globe has a long-term goal of reducing its effect on the environment.</p>	<h3>Recycling</h3>  <p>The Group will continue to develop its recycling efforts across the globe. This will include lighting, heating, electronics, paper, packaging and supplies.</p>

In 2021 we focused on developing our ESG framework. We have based our framework on the core elements of the Global Reporting Initiative (GRI). ESG is not just an offshoot of our business, but forms the core of what we do and what we want to achieve. Our commitment to our sustainable path, in line with the UN's Sustainable Development Goals, will help us drive the business forward over the years to come.

Our mission is to deliver a high performing, globally aligned eyewear company that creates a dynamic platform for growth, ignites consumer excitement and exceeds all expectations through our commitment to product, innovation, people and planet.

We recognise our responsibility to tackle labour and human rights issues, our policies and procedures provide us with a robust framework to allow us to operate responsibly. Part of the framework is to engage in Ethical Trade Audits, enabling us to gain insight into working conditions throughout the factories we use both in the UK and overseas. INSPECS has engaged with the Sedex Members Ethical Trade Audit (SMETA) which is a not for profit membership organisation that works with buyers and suppliers to deliver improvements in responsible and ethical business practices in global supply chains.

Alongside our commitment to carbon offsetting via tree planting, environmental projects, using green energy and looking at ways to provide a greener working environment, we are also supplying and developing more sustainable products and packaging.

Commitment to our ESG and the UN's Sustainable Development Goals (SDG)
























In 2021 INSPECS has partnered with Diginex, who provide software platforms designed to assist companies in monitoring, improving and reporting on their ESG. This has enabled the Group to build an ESG report around the core GRI standards. We will have a sustainability report that will help us monitor our ESG performance around the Group.

The UN's SDGs relevant to INSPECS are shown in the table below.

The data is collected by each entity allowing us to see both an individual picture and a consolidated view for the Group. We will use it to help us set targets and improve our performance year on year.

The data collected is fully auditable and using it we will be well placed to demonstrate our emissions and our commitment to continuous improvement utilising the valuable data produced.

Reporting framework

ESG	Topics	Core metrics	Linked frameworks	Linked sustainable development goals
General & Governance	Organisational profile			
	Strategy			
	Ethics and integrity			
	Governance			
	Stakeholder engagement			
	Reporting practice			
Economic	Economic performance			
	Anti-corruption			
Environmental	Emissions		 	
	Energy			
	Waste			
	Water and effluents			
				
				
Social	Employment			
	Occupational health and safety			
	Diversity and equal opportunity			
	Child labour			
	Forced or compulsory labour			

Our ESG responsibilities

People

Corporate Social Responsibility

Our corporate responsibility is to protect human rights and we seek to ensure that our high-quality products are sourced and manufactured in a fair, ethical, environmentally and socially responsible way.

The business is responsible for the end-to-end processes and procedures which are established to ensure traceable quality control and transparency through the Group's operational processes, from design to distribution.

The Group's approach to sustainability seeks to address both environmental and social impacts, whilst meeting clients demands.

We seek to ensure that our partners and affiliates have similarly high standards, respect local laws and customs along with meeting international laws and regulations. We will never knowingly deal with any organisation which is connected to slavery or human trafficking.

People

INSPECS Group is founded on respect and honesty in business and this approach permeates throughout our leadership and wider teams.

Our commitment to our shareholders and our people in building a successful sustainable business, a great workplace and a respect of people sit at the very heart of the Group.

Our Health, Safety and Wellbeing policies and initiatives support all of our employees to lead a positive work-life balance. We offer a range of benefits that are continually being reviewed throughout the Group.

Diversity & Inclusion

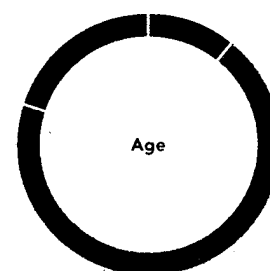
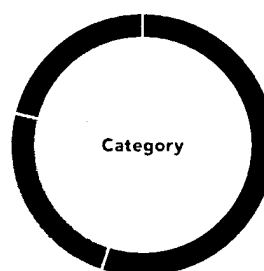
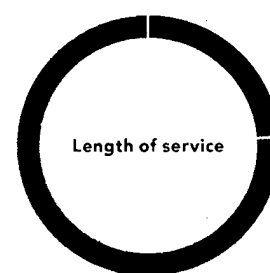
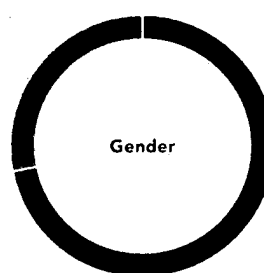
Our diverse, open and inclusive culture is paramount to how we operate and INSPECS acknowledges that this is an evolving process in which it will invest and ensure that our ambition is maintained. We will continue to listen to our employees and respond to employee needs on an ongoing and real-time basis.

INSPECS will not allow any discrimination in any of its business operations nor engage with other organisations where such activity is detected.

INSPECS offers a unique 'energy' to our teams, we are surrounded by so many exciting product offerings, continued development and our ability to embrace new ideas. We will continue to evaluate our wellness, learning and enrichment programs, as well as other offerings as we seek to attract and develop talent.



Employee mix





Gender diversity

Board

Total		
2021	6	
2020	6	
Female		
2021	1	2021
2020	1	Male – 83%
		Female – 17%
Male		
2021	5	2020
2020	5	Male – 83%
		Female – 17%

Total employees

Total		
2021	1672	
2020	1098	
Female		
2021	1187	2021
2020	714	Male – 29%
		Female – 71%
Male		
2021	485	2020
2020	384	Male – 35%
		Female – 65%

Health & Safety

A safe environment where risks are appropriately managed is very important to us. The Company is governed by health and safety laws in the countries in which we operate. This includes laws regulating matters for the protection of the environment and the management and disposal of hazardous substances. Our factories are regularly audited to ensure we meet all our health and safety requirements.

With the continued impact of COVID-19 throughout the year, our employees returned to their work environments, whether that was in an office or at one of our manufacturing or distribution sites. To ensure their safety and well-being we continue to review our procedures. We have comprehensive protocols around the Group, which include regular testing, health surveys, temperature checks on arrival and social distancing. Our factories went above and beyond to ensure their staff were safe and able to continue to remain operational.

Neo, our Vietnam based production facility, went to exceptional lengths to maintain employee safety and continue production. Following local government guidelines they set up a dormitory for up to 370 members of the team to allow a COVID-19 free safe place for the team. The local government were so impressed with the system that Neo had introduced, it was then used as an example to help other factories in the area.

There were no serious injuries, notices or prosecutions in any part of our operations during the year ended 31 December 2021. All sites followed working policies in conjunction with their local Government's advice for COVID-19. We had 15 minor injuries for a variety of reasons, including cuts and trips. In 2020, the total number of health and safety incidents for the Group was 8, all of which were minor injuries predominantly related to trips and cuts.

Energy

Our environmental impacts consist of energy used to heat, light, and operate our offices and factories. We will continue investment in renewable energy and efficiency programs to improve our environmental impact. With the introduction of our Diginex platform we are now well placed to record all our emission detail accurately.

In 2021 we took further steps towards carbon neutrality across our worldwide offices by 2030. Eschenbach and TURA continued to utilise renewable energy sources and the UK business has also switched to renewable energy. We will continue this across the Group where possible.

We state our energy use and carbon emissions in compliance with Streamlined Energy and Carbon Reporting (SECR). We also include information related to the Task Force on Climate Related Financial Disclosures (TCFD). Under both of these frameworks we look at our annual Greenhouse Gas (GHG) emissions for the Group.

Streamlined Energy and Carbon Reporting (SECR) Greenhouse Gas emissions (tCO₂e) and Consumption (kWh) Totals

* 2020 data includes values for Eschenbach and is for comparison purposes only.

* 2021 data does not include values for BoDe and EGO due to the late timing of the acquisitions.

The total emissions (tCO₂e) figures for energy supplies reportable for the Group are as follows:

Global GHG emissions data	Unit	2021	2020
Scope 1			
Combustion of fuel (stationary and mobile), process emissions and refrigerants	tCO ₂ e	1,316.66	1,250.11
Scope 2			
Electricity purchased and heat and steam generated for own use:			
Location-based	tCO ₂ e	3186.69	3,090.33
Market-based	tCO ₂ e	2736.25	2,552.06
Scope 3			
Business travel, water supply and treatment, transmission and distribution losses from purchased electricity, upstream leased assets	tCO ₂ e	632.45	644.19
Total GHG emissions – location based	tCO ₂ e	5,135.80	4,984.63
Total GHG emissions – market based	tCO ₂ e	4,685.36	4,446.36

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 (tCO₂e): This reporting period vs previous reporting period

Scope 1



Scope 2



Scope 3



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

Utility and scope	2021 Consumption (kWh)	2020 Consumption (kWh)
Scope 2		
Grid-Supplied Electricity	6,068,841	6,102,445
Scope 1		
Gaseous and other fuels*	1,262,675	1,001,481
Scope 1		
Fleet Transportation	4,472,623	4,394,722
Scope 3		
Business Transportation**	173,525	54,087
Scope 3		
Leased assets***	1,727,282	1,711,469
Total	13,704,946	13,264,204

* Excludes refrigerants as the data cannot be converted to kWh.

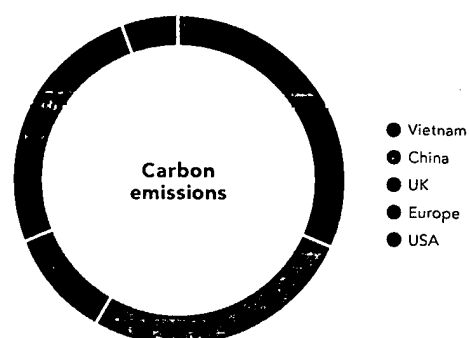
** Excludes non-car business travel as the data cannot be converted to kWh.

*** Excludes water as the data cannot be converted to kWh.

Intensity ratio

Intensity metric	2021 Intensity Metric	2020 Intensity Metric
Scope 1 and Scope 2		
Emissions per full time equivalent employees (tCO ₂ e)	2.48	2.39
Scope 1 and Scope 2		
Emissions per \$1m turnover (tCO ₂ e)	18.69	22.9

Annual carbon emissions by region



GHG emission methodology

We have calculated our calendar year 2020 and 2021 carbon footprint in accordance with the GHG Protocol, which is the internationally recognised standard for corporate carbon reporting. A bottom up, consumption-based approach to calculating emissions has been undertaken across all our sites globally. We calculate our direct emission figures using actual consumption data from smart meters and accurate meter reads/invoicing. However, access to this type of data is not always possible. Where data was not available, electricity and water consumption were estimated using a kWh or cubic meter per full time employee factor. 0.48% of emissions were calculated from estimated source data.

SECR commitment

Our Scope 1 and 2 emissions come from energy used in our own operations, largely in our two factories located in China and Vietnam which produced nearly 60% of our total global emissions in 2021. We will continuously review how our factories run to identify opportunities to improve energy efficiency.

While our offices greenhouse gas footprint is relatively small, we are committed to eliminating these emissions too. By switching to renewable energy where possible and reducing energy use by upgrading to low-energy LED lighting. We continue to look for other methods to reduce our waste and embrace new projects. Throughout the Group we ensure recycling and re-purposing are at the top of our agenda for the waste we generate.

We continually review our shipping, dispatch, production and office procedures to ensure minimum waste. With the innovative development of our Skunk Works department we are developing new ways to recycle waste to maximise its use.

Strategy target

Phase	Financial Year	Governance	Strategy	Update
Phase 1	2020	Governance within reporting lines for SECR with Director of ESG – reporting to the Board.	Meet or exceed local requirements.	Strategy is met – reporting for the UK division to align the Group for 2021
Phase 2: Risks, Opportunities	2021	Implement Governance Structure	Detailed Risk & Opportunities assessment – Group analysis and capabilities	Continuously review ESG guidance in line with UN SDG's.
Phase 2: Governance and Systems	2021 and beyond	Board Approval for systems to capture the Group data.	Manage all ESG related risks as an integral part of the business's material aspects.	Reporting will take place as part of our ESG and annual report.

INSPECS monitors the physical risks from climate change which have an impact on our lives and our business. We have not identified any physical risks which are considered to have a material impact. While the world transitions to a low carbon economy, we are positioning ourselves so that we maximise the opportunities that building a more sustainable future will bring. We are embracing the opportunity to improve our operations and our product offering to align our future with an environmentally positive outlook. As part of our Operational Management Committees (OMC) and our Group Risk Management Committee (GRMC), we include sustainability to ensure that communication and Group engagement is paramount along with the direct involvement from the Board.

Our risk framework and committees have been put together to ensure a balanced view to identifying, reducing and mitigating risks to enable fast and safe growth along with ensuring all opportunities around the Group are explored. Assessments have been made in relation to all of INSPECS' offices, and the financial impact of achieving carbon neutral is relatively modest as we have already in 2021 offset all of our carbon in relation to the principal offices around the world. In relation to our supply chain, this has not yet been financially modelled as calculations are underway to ascertain the amount of carbon used by both our third party suppliers and internal factories and we expect in the 2022 Annual Report to give further information in relation to our supply chain carbon cost.

Roadmap to achieving Carbon Neutrality

Looking ahead, the needs of our customers will increasingly be defined by sustainable choices. Our long-term success, the stability of our environment and our overall wellbeing depend on us all making the right choices.

Planet

As a Group, our offices to be Carbon Neutral by 2030



Our achievements

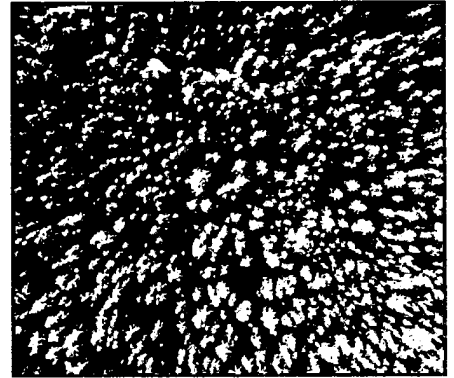
Our SDGs, as listed on page 43 reflect how we address our environmental responsibilities. Our long-term commitment is to help our customers have the choice in making more sustainable decisions.

Environmental highlights:

Commitment to brands, innovation, people and planet.

Environment

- Ongoing commitment to offsetting our carbon footprint through tree planting and sustainable projects
This is the equivalent of:
31,500 trees estimated for 2021
1,500 trees planted for 2020
- Enhance local communities through education and regenerating biodiversity
- Accessible for employees to enjoy



Green energy

- Implemented throughout our global offices
- Renewable – Sustainable – Dependable
- Over 60% of UK car fleet already electric

Waste

- Increased recycling across the Group
- Re-purpose stock initiatives
- Cutting waste with improved forecasting

Sustainability

- New collections incorporating sustainable and recycled materials
- Commitment to sustainable product development

People

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



Packaging

100% recyclable by 2025

Product

Innovative development projects to increase our sustainable product offering



Procurement

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



Continuous innovation is key to INSPECS. Never content with the status quo, we deliver what our customers want, need and expect by providing the most cutting-edge technologies coupled with top-notch design. Being an industry leader means experimenting with bold new concepts.

Our Skunk Works department has focused on four key categories this year:

Continuous innov

01

New Material Generation

Investigate, create and develop new polymers for the eyewear industry

02

Smart Eyewear

Explore opportunities within this arena, a foothold within the field of technology

01 - Polymer development

02 - Blue light lenses

03 - JWW

04 - BOTANIQ™



action

03

Lens Technology

Utilise the knowledge and expertise at Norville to develop new concepts

04

Sustainability

Focused efforts to create a more sustainable platform through materials and packaging

SkunkWorks

New material generation

This category was sub-divided into three key areas – sustainable, recycled and progressive.

To provide alternative material applications within the Group, we have developed Graphene infused eyewear and recycled disposable face coverings amongst others.

Smart eyewear development

On 29 April 2022 INSPECS Limited signed a Memorandum of understanding (MOU) with Bosch Sensortec GmbH for the development of smart eyewear for potential launch in 2023.

Lens technology

Exploring combinations of filters, processes and encapsulation techniques throughout 2021 led to new innovative methods and further understanding the limitations of material boundaries.

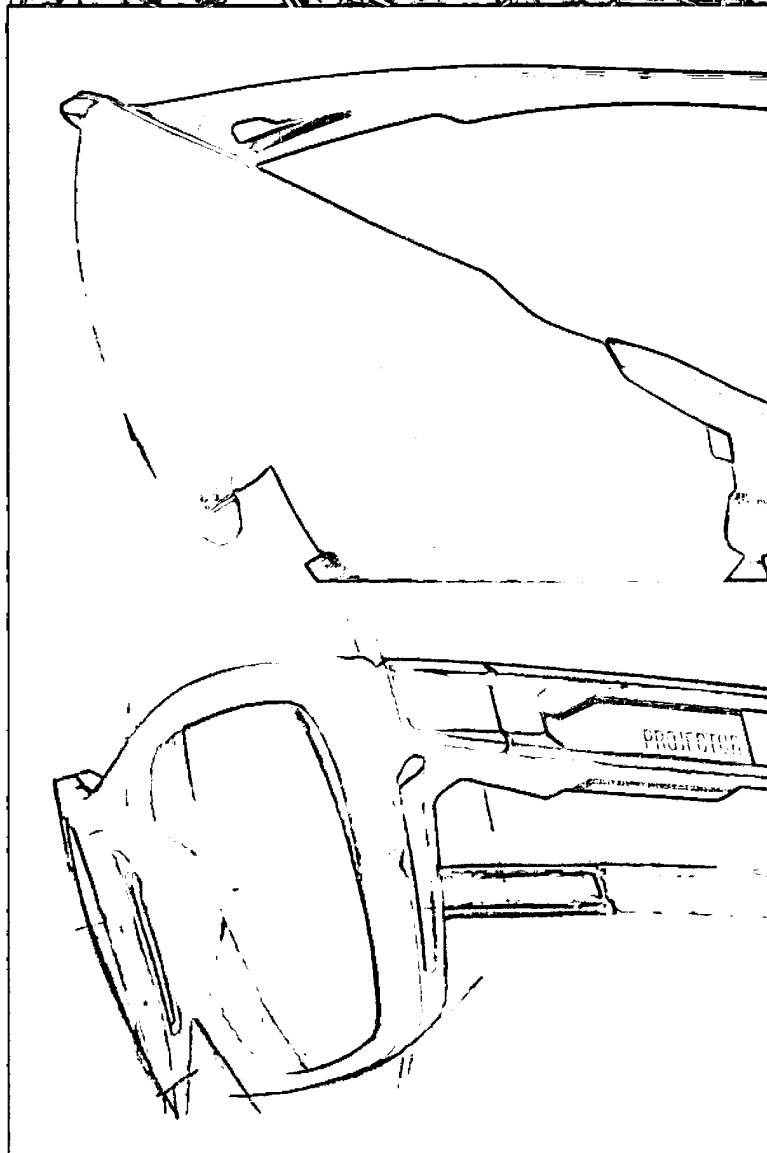
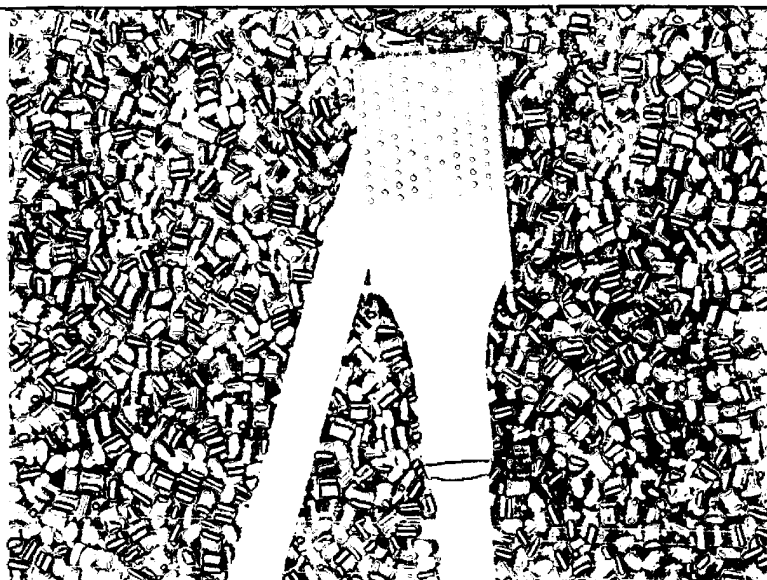
Micro-laser engraving, together with thin edge technologies were employed to resolve complex lens lamination.

The acquisition of a lens casting unit has allowed us to further explore methods currently unavailable to us in the fields of photochromics and over casting substrates.

Sustainability

Working closely with a research and development laboratory in Holland, we are currently developing a series of highly sustainable monomers produced in nature by numerous micro organisms that are yet to be realised in eyewear. Although highly experimental, early results are positive and we are excited to be at the forefront of our industry.

In addition to the development of sustainable polymers and accessories made from recycled plastic bottles, we are currently investigating the potential of seaweed harvesting to create packaging, information tags and POS solutions.



Top – Graphene-infused compound

Middle – Multiple smart eyewear studies

Bottom – Concept integration development

collaboration...

Skunk Works is collaborating with other major brands in developing lens material choices, sampling and production techniques.

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

looking forward:

- Integration of materials into the brands within the Group
- Develop our range of sustainable products
- Continue to discover and develop new compounds, polymers and coatings
- Collaborate further with University programmes
- Continue the develop of further smart eyewear designs and technology

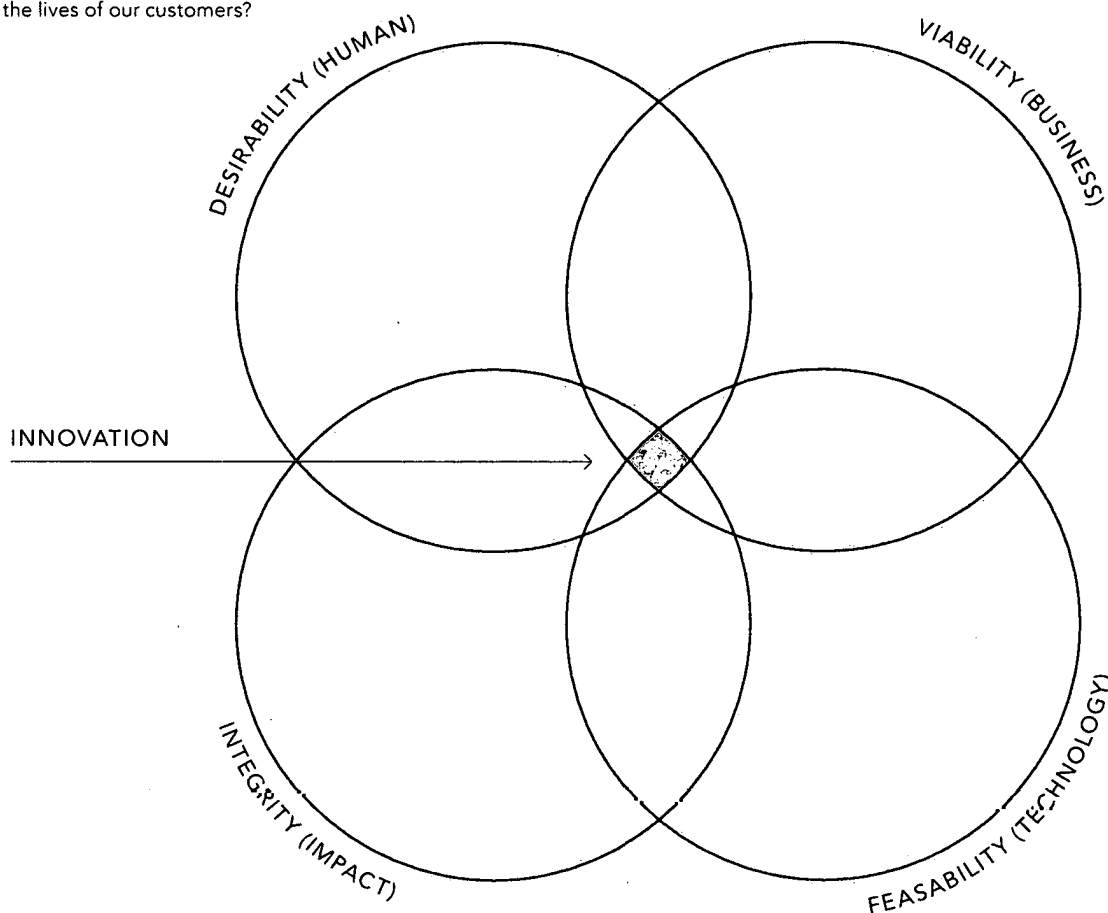
Skunk Works projects are evaluated employing these four measures of understanding:

Desirability

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

Viability

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



Integrity

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

Feasibility

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

Section 172 statement

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

In line with the Section 172 statement the Board considers the long-term effects of key decisions on stakeholders, and this helps INSPECS Group to maintain suitable and beneficial relationships for the future. The Board's commitment is to work in conjunction with the INSPECS Group strategy and understand the importance of governance.

The Board engages with all areas of the business to gather data that is relevant to the decisions being made.

The main considerations to promote the success of the company for the benefit of all stakeholders are set out below:

Our employees

Training and career prospects

The employees of the Group have annual appraisals and the Group operates an LTIP share option scheme for the future leadership. The company actively encourages all employees to have access to further training to enhance their skills and develop their careers.

Health & Safety

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

Diversity and fair pay

The Group has the highest standards in relation to diversity and fair pay for all employees regardless of their age, sex or ethnicity.

Our investors

Demonstrate a clear investment case and strategy for continued sustained growth

The CEO and CFO hold meetings with institutional shareholders throughout the year, including communication post interim and final publications of the yearly accounts.

Ensure good risk management and corporate governance

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

Demonstrate KPIs

Quarterly turnover numbers are released to the market maintaining a relevant information flow to all stakeholders.

Continue our ethical behaviour in all business matters

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

Our customers

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 each year.

Deliver to our customers on time

Our communication with our customers and suppliers is key, especially while we continue to navigate problems due to COVID-19.

Demonstrate to our customers our traceable supply chain

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

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

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

Develop more sustainable products for our customer base

We continue to develop sustainable eyewear ranges which have won multiple awards. During 2021 the Group won a record 3 major sustainability awards for its products.



The Board continually reviewed and considered the ongoing effects of COVID-19 on the business during 2021 and will continue to monitor its effects during 2022.

In accordance with Section 172 of the Companies Act 2006 the items listed to the right demonstrates how the Board has fulfilled its duties.

This provides a summary of the Board's strategic aims, decision-making process, and the key stakeholders of the company whom the Board considered and engaged with. Stakeholder benefits arising from the decisions are shown below. Further information that demonstrates how the Directors have fulfilled their duties are 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 company for the benefit of its members. In doing so we have regard to:

01

The likely long-term consequences of any decision

02

The interests of the company's employees

03

The need to foster the company's business relationships with suppliers, customers and others

04

The impact of the company's operations on the community and the environment

05

The company's desire to maintain a reputation for business conduct of the highest standard

06

The need to act fairly between members of the company

Our Communities

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

How we Engage

The Group continues to design and develop using PPE and recycled materials. Our new facility in Gloucester has allowed us to introduce improved environmental measures, including water usage systems, LED lighting and electric car chargers. We continue to develop our tree planting initiative to offset our carbon footprint and look to further embrace sustainable products in 2022.

Our Suppliers

Fair trading and payment terms

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

Collaboration and long-term partnerships

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

Supplier engagement checks

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

Environment

Ensuring the Group takes into effect climate change on both its business and its supply chain and continues to manage its pollution and waste

The Group continues to move to renewable energy where possible and is establishing an annual review of key operations and the effect of climate change on those operations. The Group will continue to explore efficient supply chain routes and develop a range of environmentally friendly products.

Key decisions

01

The Board has continued to support growth through acquisitions

To continue our growth the Board has enhanced our brand portfolio, created licensing opportunities and has expanded our sales distribution network by completing two acquisitions in 2021.

02

Maintaining employee engagement and productivity

The Board have continued to support a location flexible arrangement, allowing employees to combine on site and off site work where possible. This, combined with the measures in place at our factories, has allowed the business to trade effectively despite the ongoing pandemic.

03

Promotion of sustainability throughout the Group

The Board promotes the development of fully sustainable products and packaging, and fully support new initiatives towards a carbon neutral future. The Board assisted in the implementation of ESG reporting and having sustainability teams embedded around our operating businesses.

04

Capital resources

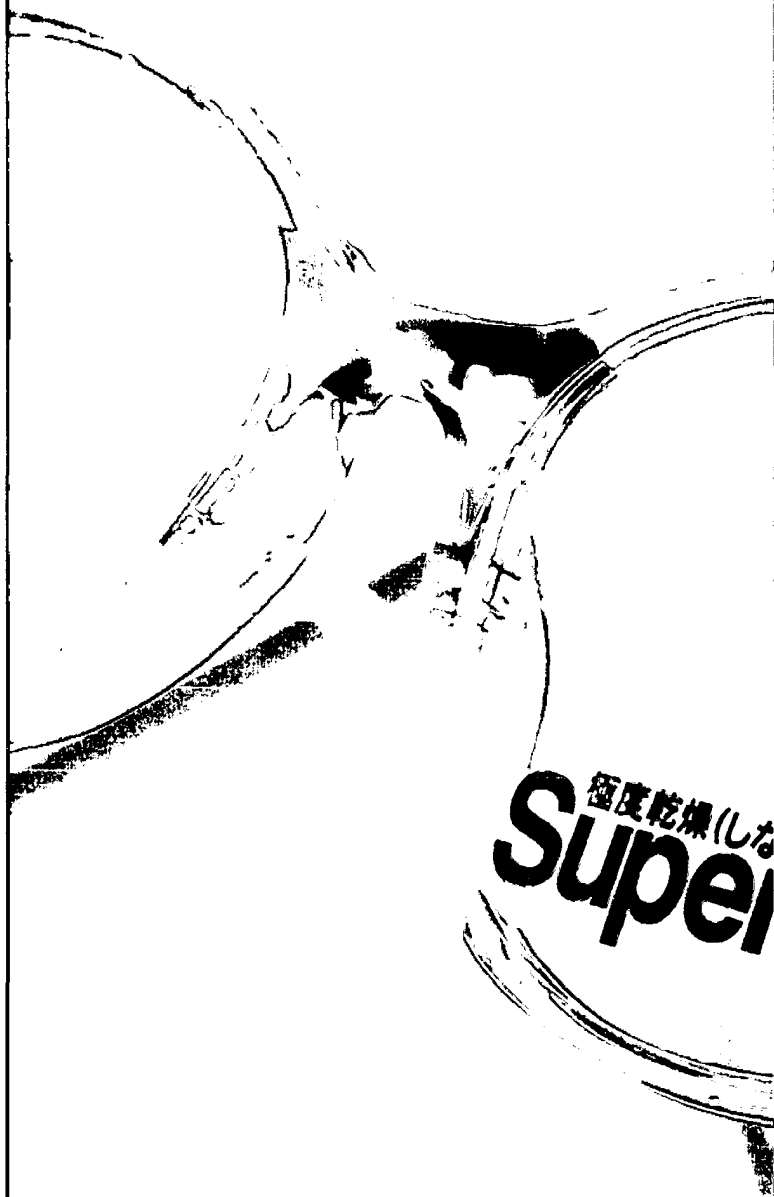
The Board engaged and monitored the continual investment into our manufacturing plants and reviewed the new loan agreements with HSBC which were signed in October 2021. This was to help sustain the future growth of the business. The Board also reviewed the budgets for 2022 and the cash flows and capital requirements of the Group out to 2023.



fit

During the year, the Group made two further strategic acquisitions, namely BoDe Design and EGO Eyewear, in addition to the worldwide trademarks, rights and licences to the Hardy Amies brand.

When reviewing the opportunity to acquire these businesses the Board assessed their strategic fit, projected returns and risks associated with the acquisitions along with reputational and finance risks.



Left: Barbour International
Right: Superdry

These acquisitions continue our strategy of developing strategic distribution of our products to both chain and independent opticians around the world.

Robin Totterman
INSPECS Group plc CEO

In reviewing the acquisitions, the Board focused on:

How the acquisitions aligned with the overall strategic plan.

The company's ability to execute and finance the acquisitions.

Review of detailed internal documents provided for the Board on each of the acquisitions.

Review of the impact financially on the results following the acquisitions and the projected cash flows on both leverage and earning per share.

Review and discussion on the quality of the management team contained in the acquisitions.

Overall, following detailed discussion and review the Board accepted the business and financial analysis supplied. They unanimously instructed the executive team to execute the transactions.

The Board allocated additional time to allow debated discussions and support during the acquisitions.

The Board also reviewed the attained financial and legal due diligence prepared on the acquisitions by its corporate advisors. This was an inclusive approach and the Board also sought the views of the senior non-executive management within the Group.



Risk management

Addressing risk at INSPECS

Our risk management framework covers every part of our business.

The Board meets regularly to identify risks in our operations as they arise. Having identified a new risk, the Board receives an assessment of the risk and then reviews and approves plans to mitigate it.

Risk Responsibility

The Board of INSPECS has the overall responsibility for risk management and ensuring mitigation and continual monitoring of risk. Each division has an Operational Risk Management Committee (OMC) responsible for implementing controls and processes across their area of the business. The OMC's have been formed with a senior member of each part of the Group and they enlist their management team to review the risks identified in the framework. The OMC meet at least twice yearly to review the Group's risk framework and report their findings to the Group Risk Management Committee (GRMC). The GRMC is headed by the Group ESG Director and the Group Chief Treasury Officer and calls on both internal and external experts.

The GRMC review the outcomes of the risk review and report to the Board's Audit and Risk Committee with any material findings. This ensures continual management, by both the Board and the key employees, of the inherent risks in the business. The GRMC also draw on the expertise of the Group to help other entities identify risks and discuss potential opportunities.

In addition to this, the Eschenbach Group have a financial based risk system which is incorporated in the risk framework to ensure Group continuity. The GRMC make sure that the framework is a reporting mechanism to be individualised so it is relevant to each division and that they are material to the development, performance and future prospects of the entity and the Group.

The Board has zero tolerance in relation to health and safety issues within our control in all jurisdictions within which we operate. Health and Safety issues are discussed in each Board meeting as part of the standard agenda.

01

Identify risk through continual assessment

02

Mitigate risk

03

Manage and monitor

Risk management continued

Key Group risk assessment

Key: Low: ● Medium: ● High: ●

Scope area and risk description	Potential consequences of risk event	Mitigation
IT - Cyber risk and new system implementations.	<ul style="list-style-type: none"> Inability to access systems and loss of data Cost of ransom and loss of revenue Inability to use the software 	<ul style="list-style-type: none"> Increase Cyber security protocols and tool sets across the group Cyber Risk insurance to be kept up to date in all Group entities Working towards multiple Cyber Security accreditations
New risk	Probability of risk occurring ●	Estimated impact of risk event occurring ●
Pandemic – Continuing risk of the COVID-19 virus and emergence of a new virus.	<ul style="list-style-type: none"> Risk to employees Supply chain disruption and reduced productivity Loss of revenue 	<ul style="list-style-type: none"> Utilise the skills and lessons learnt during the COVID-19 pandemic to reduce the impact of office and factory closures Remote working where possible Continued stress testing of finances to ensure robust stability
Reduced risk	Probability of risk occurring ●	Estimated impact of risk event occurring ●
Size and Complexity of the Group – Lack of cohesion, culture and synergy between key management and resources.	<ul style="list-style-type: none"> Missed opportunities to improve product for the global market and failing to recognise potential cost savings Duplication of effort and failure to use resources available within the group Poor integration of new businesses leading to loss of potential synergies of acquisition 	<ul style="list-style-type: none"> Additional resource to be recruited where necessary to ensure smooth integration Continue to improve communication between Group entities Annual physical meetings Group adopting similar operating systems where applicable
Existing risk	Probability of risk occurring ●	Estimated impact of risk event occurring ●
Culture – The Group's values and behaviours towards risk are not present throughout the individual entities.	<ul style="list-style-type: none"> Vague or ill-defined risk awareness leading to under-performing, loss of talent and potential reputational damage 	<ul style="list-style-type: none"> Group Corporate Risk register to allow regular communication and reviews Roll-out of group policies and procedures to embed culture
Existing risk	Probability of risk occurring ●	Estimated impact of risk event occurring ●
Supply Chain – Disruption to either our factory production or our subcontracted production and escalating costs of labour, raw materials and energy.	<ul style="list-style-type: none"> Reduced revenue Reduced supply to internal and external customers Negative customer and brand impact Rising labour, energy and raw material costs will affect the profitability of the business 	<ul style="list-style-type: none"> Robust relationships with key suppliers Diversification of suppliers to mitigate dependence Budgets to include known increases in costs Productivity reviews Ensuring awareness of local employment/labour laws Review product costs to the market
Existing risk	Probability of risk occurring ●	Estimated impact of risk event occurring ●
Treasury and financial control – Inefficient use of cash resources.	<ul style="list-style-type: none"> Additional borrowing required to fund business activities increasing interest and set-up fees FX risk Breach of banking covenants Cash flow risk and risk to future project funding 	<ul style="list-style-type: none"> Chief Treasury Officer positioned to monitor treasury and cash custody
Existing risk	Probability of risk occurring ●	Estimated impact of risk event occurring ●
People – People are critical to the Group to ensure that it can meet the needs of its customers and achieve its overall strategy.	<ul style="list-style-type: none"> Reduce the effectiveness of the group's ability to trade May impact the intended growth in the business 	<ul style="list-style-type: none"> Senior management are part of the group LTIP Scheme to maximise retention. Cross-functional input to reduce reliance on single individuals Remuneration Committee seeks to ensure rewards are commensurate with performance The Group strives to be one of the best places for employees to work and build a successful career
Existing risk	Probability of risk occurring ●	Estimated impact of risk event occurring ●

Scope area and risk description	Potential consequences of risk event	Mitigation
Data protection and GDPR – Loss of data used to conduct our business and information on customers received under GDPR.	<ul style="list-style-type: none"> Negative reputational impact Could lead to both reputational and Government penalties 	<ul style="list-style-type: none"> Policies and training constantly updated within the group
New risk	Probability of risk occurring ●	Estimated impact of risk event occurring ●
Economic and political risk – Recession in local or global economy.	<ul style="list-style-type: none"> Reduced customer demand Costs may increase due to government policy and legislation 	<ul style="list-style-type: none"> Board constantly monitors economic changes that may affect the Group Diversified regional supply chain established and multi-channel revenue streams
Existing risk	Probability of risk occurring ●	Estimated impact of risk event occurring ●
Environmental – Risk of non-compliance with local Government guidelines for emissions and reporting.	<ul style="list-style-type: none"> Inability to state and review environmental position accurately Reputational/ brand damage Possible risk of fines 	<ul style="list-style-type: none"> 3rd party reporting platform for each entity to comply with reporting needs Board approval for sustainability roadmap to improving our impact on the environment
New risk	Probability of risk occurring ●	Estimated impact of risk event occurring ●
Governance – Risk of policies & procedures not adhering to plc AIM requirements and group compliance.	<ul style="list-style-type: none"> Negative employee, customer and brand impact if legal, ethical and regulatory requirements are not being met High legal costs for any breach 	<ul style="list-style-type: none"> Work with external partners such as Diginex and Macfarlanes to ensure awareness and compliance with appropriate policies Ensure company has appropriately experienced Board
New risk	Probability of risk occurring ●	Estimated impact of risk event occurring ●
Licences – Loss of licence due to breach of contract and reputational damage to Licensor.	<ul style="list-style-type: none"> Reputational damage Negative impact on cash flow, turnover and profit Potential of over stocking position 	<ul style="list-style-type: none"> Full awareness of contractual obligations for each licence and a review process to ensure trading is within boundaries Keeping a varied portfolio of brands and ensuring awareness of the licensors position in the marketplace The Group is increasingly less reliant on one single brand as the portfolio evolves
New risk	Probability of risk occurring ●	Estimated impact of risk event occurring ●
Social – Risk of non-compliance with local Government HR and Health & Safety regulations and reporting requirements.	<ul style="list-style-type: none"> Breach of regulations leading to potential grievance procedures Negative working environment leading to low productivity Safety negligence 	<ul style="list-style-type: none"> Each HR and H&S entity to report to the group ESG director to ensure awareness and continuity of processes and procedures H&S audited by an external source to ensure compliance with regulations Manufacturing government and social regulations externally audited
New risk	Probability of risk occurring ●	Estimated impact of risk event occurring ●
Product Safety – Safety risk for our consumers.	<ul style="list-style-type: none"> Risk of litigation Brand/Reputational damage Recall of products affecting revenue 	<ul style="list-style-type: none"> Products are tested and certified by independent laboratories Regulatory approval in the markets we trade in Maintain public and product liability insurance
Existing risk	Probability of risk occurring ●	Estimated impact of risk event occurring ●
Quality – Poor or inconsistent quality.	<ul style="list-style-type: none"> Reduced future demand for the group's products Reduced revenue Negative reputational impact 	<ul style="list-style-type: none"> Dedicated in-house, secondary and chain Quality Control ('QC') teams
Existing risk	Probability of risk occurring ●	Estimated impact of risk event occurring ●
Climate change – Potential negative impact of climate change on the business.	<ul style="list-style-type: none"> Climate change may lead to disruption to the Group and supply chains and/or disruptive short-term events Actions required to reduce carbon usage and to mitigate the impacts of climate change may result in an increase in operational costs or capital expenditure 	<ul style="list-style-type: none"> Increased carbon offsetting via tree planting initiative and green energy schemes Continued development of fully sustainable products and packaging Further diversification of supply chains around the globe Main offices have already moved to carbon neutral
New risk	Probability of risk occurring ●	Estimated impact of risk event occurring ●

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

Corporate Governance

Corporate Governance statement	64
Board of Directors	70
Key Management	72
Audit and Risk Committee Report	74
Remuneration and Nomination Committee Report	76
Directors' Report	79
Statement of Directors' Responsibilities	82

02

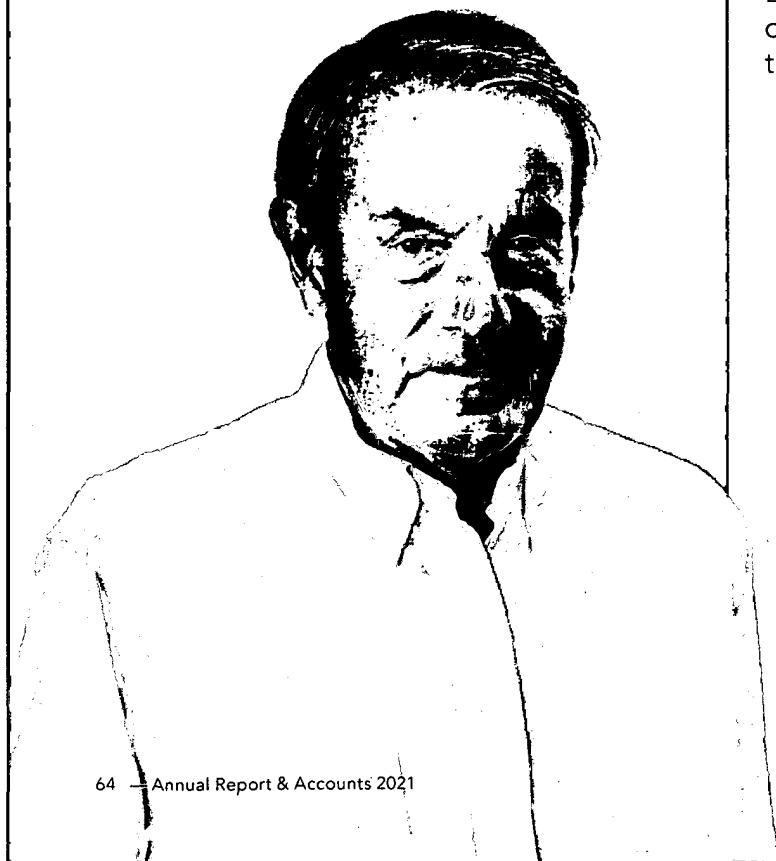
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Introduction from the *Chairman*

Lord Ian MacLaurin 
Chairman



Dear shareholder,

I am pleased to present the Corporate Governance Report for 2021. This report should be read in conjunction with the report on page 69, in which we have set out how we have complied with the QCA Corporate Governance Code. As I have outlined in my report on page 12 to 15, 2021 has been a strong year of growth for the company with revenue, cash flows and Adjusted Underlying EBITDA all up from last year and the continuing development of the company strategy to grow the business in a sustainable manner.

Governance

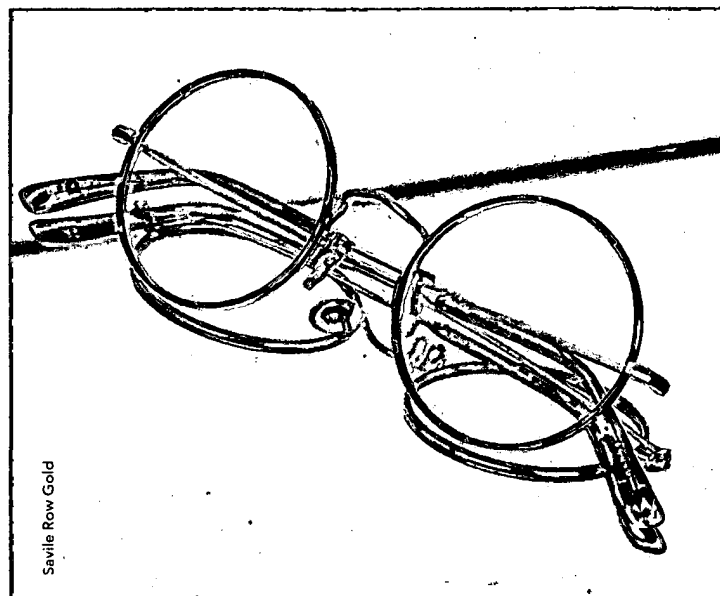
The Board believes that effective delivery of the company strategy requires strong corporate governance supported by a robust structure that allows the Board to engage in constructive debate and be challenged by its members. This allows the directors to make strategic decisions. The Board recognises the importance of having suitably qualified Non-Executive Directors who are independent in character and free from any relationship that could affect their judgment. Our Non-Executive team for the year consisted of Richard Peck who has over 38-years industry experience within eyewear together with Angela Farrugia who has a wealth of experience in relation to brands and consumer products, and finally Christopher Hancock who is a Chartered Accountant and has been involved in many corporate transactions over the years and is able to support our Executive Team on acquisitions.

The Board firmly believes that driving our long-term goals should not be at the expense or detriment to others with whom we engage and also the environment in which we operate. We are committed to generating 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 program in place with the Executive Team carrying out a number of meetings with our shareholders during the year. Our Non-Executive Directors engage with our shareholders as appropriate and also with our auditors, nomads and our corporate advisers.

The culture of the business is a key part of our success and in the year to 31 December 2021 the Non-Executive Directors have visited the Group's operations where possible. However, due to COVID-19 restrictions they have not travelled overseas, they hope to be able to do as soon as travel restrictions are lifted, in particular with respect to our operations in Vietnam and China.



Looking ahead

Following our performance in the year to 31 December 2021 the Board is now focused on improving the business performance in 2022. Despite the difficulties of managing the business during the uncertainty caused by the COVID-19 Pandemic and regrettably the turmoil in Ukraine that has happened in the Spring of 2022, the Board continually discuss our risk management structures as it is clear the Group needs to be prepared for uncertain times ahead. We have placed a significant emphasis during the year on the safety of our employees with further additional investments for COVID-19 compliance, communication training and employee welfare programs.

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

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

Lord MacLaurin
Chairman

Corporate Governance statement continued

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 on pages 4 to 61 outlines the key approach of the Board to ensuring and promoting the long-term sustainable growth of the company for all shareholders.

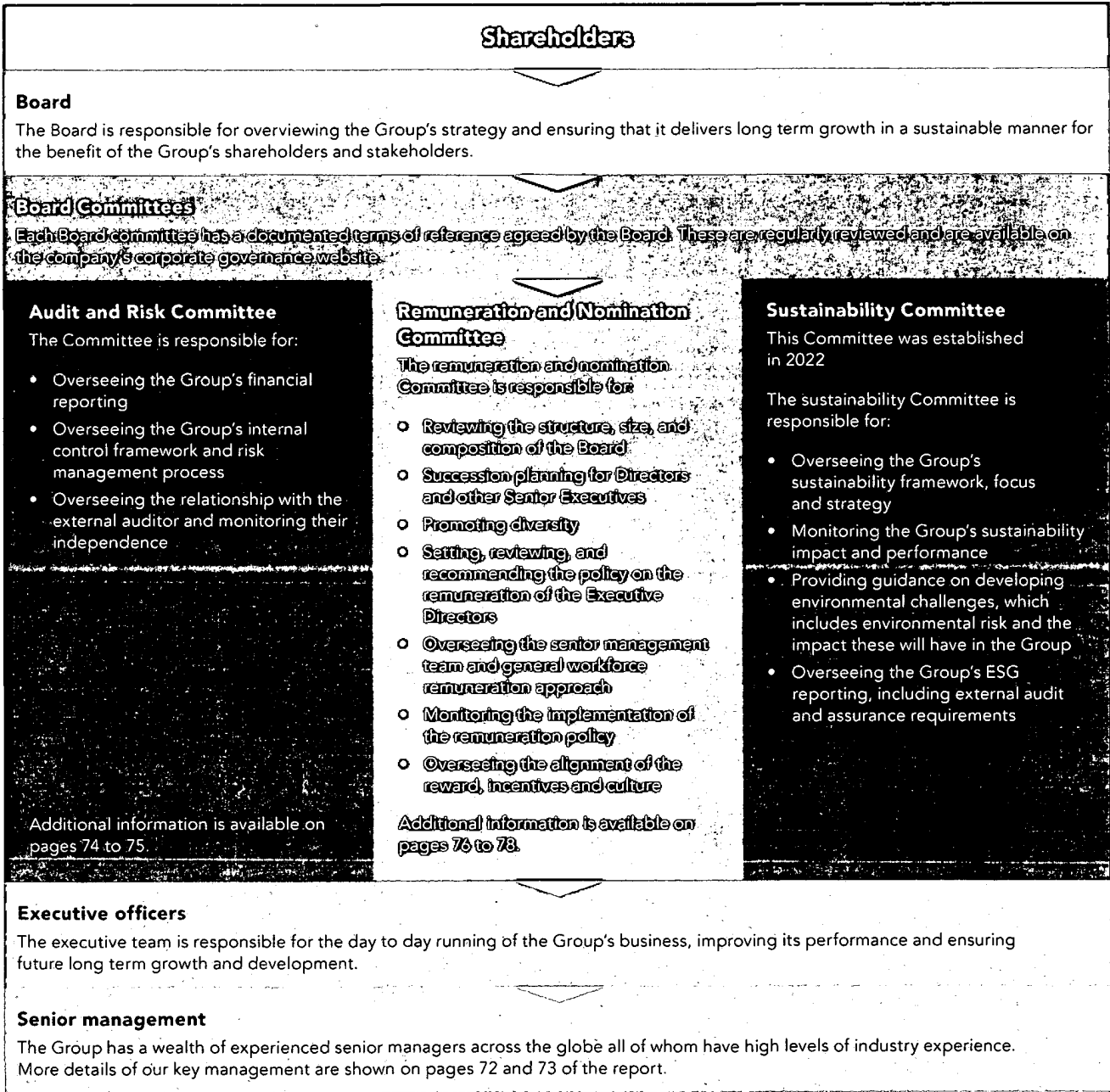
The main matters for consideration by the Board include:

- Financial reporting and financial controls.
- Monitoring of health and safety across the Group.
- Approval of material contracts and Group expenditure.
- Communication with stakeholders.
- Financing and capital adequacy of the Group.

- Agreeing budgets and forecasts.
- Reviewing acquisitions.
- Oversight of the Executive team.

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 below allow for the operation of the Group in an open and straight forward culture without over delegation of responsibilities.



Board meetings

The Board was scheduled in 2021 to hold six meetings during the year to review four quarterly updates and two one-day meetings to agree the interim and year-end financial accounts. However, due to COVID-19 and the acquisitions in the year, it was agreed that the whole Board would meet on a regular basis to review and challenge these transactions. As such and due to COVID-19 and the acquisitions the Board met more frequently than was originally planned.

Scheduled Meetings	Board	Remuneration Committee	Audit and Risk Committee
Lord Ian MacLaurin	7	–	4
Robin Totterman	8	–	–
Christopher Kay	8	1*	4*
Christopher Hancock	8	1	4
Richard Peck	8	1	4
Angela Farrugia	8	–	–

* 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 the Board their comments are passed to the Chairman.

Board committees

The Board has delegated some specific responsibilities to the Audit and Risk Committee, Remuneration and Nomination Committee and Sustainability Committee. The respective reports are shown on pages 74 to 78.

Board composition

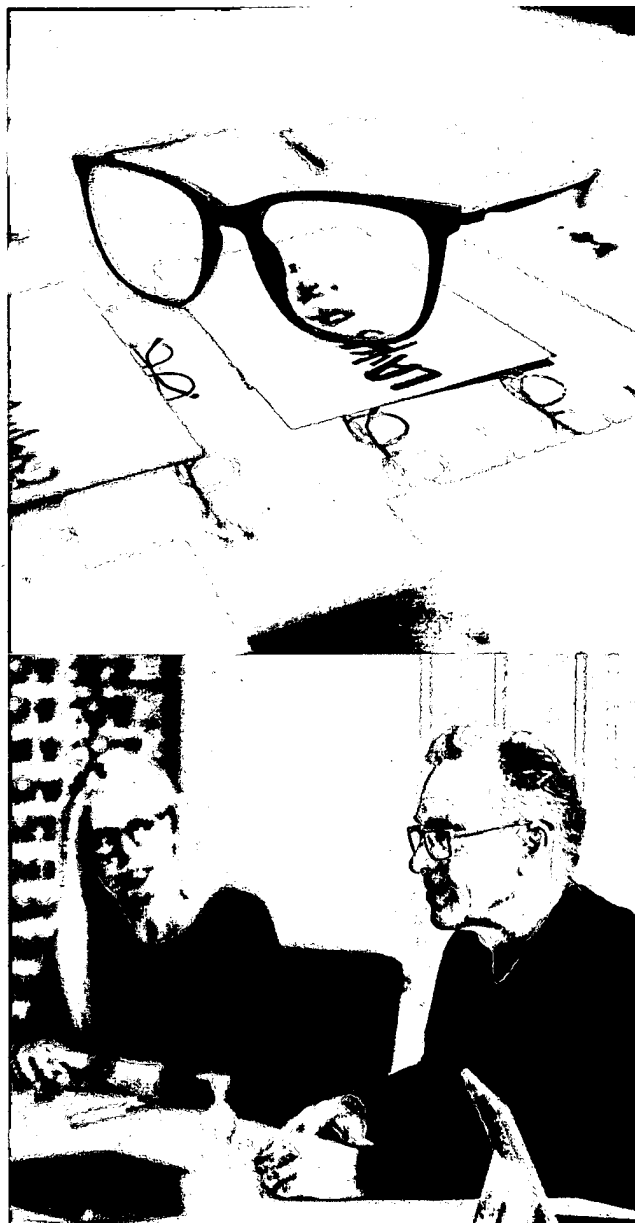
The Board believes it has the right skill sets, knowledge and up to date experience to perform its duties responsibly. Allowing them to deliver on the Group's strategy of long-term growth of the company for the benefit of all stakeholders.

The Board fully supports the Financial Conduct Council's aim of encouraging diversity. A full breakdown of gender representation for directors is shown on page 45 of this report.

Board and Board committee effectiveness review

The Board carried out an internal review of its effectiveness in 2022 on it's 2021 performance, this review included the following:

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



Corporate Governance statement continued

Board members' independence

The Board considers and ensures that each of the Non-Executive Directors are independent of management. The Board is led by the Chairman who ensures fair and constructive debate where appropriate.

The founder and CEO 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 had two Committees and a new third Committee dealing with sustainability and ESG which has been set up in April 2022.

The Audit and Risk Committee is responsible for overseeing the Group's financial reporting, risk management, internal controls and liaises closely with the Group's external auditors. Full details of this Committee's work is set out on pages 74 to 75 of this report.

The Remuneration and Nomination Committee is responsible for establishing procedures for setting executive remuneration policy and executive pay. The Committee met during the year and full details of its work during the year is given on pages 76 to 78 of this report. The Committee also is responsible for leading Board appointments.

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

Conflicts of interest

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

Directors' and officers' liability insurance

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

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 company Secretary ensures that all Directors are kept up to date with changes in relevant legislation. This includes liaising with the Group's advisers, principally our Nomads, Peel Hunt and our Group corporate lawyers Macfarlanes.

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 is both by the Annual Report and Accounts and its 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 team is available to discuss matters that stakeholders may wish to raise and the Executive team holds meetings with investors on a timely basis. In the period under review feedback from stakeholders did not give rise to a change in the Group strategy.

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 company will take place on 11 August 2022. The Notice of Annual General Meeting and the Ordinary and Special Resolutions to be put before the meeting are contained in the Notice of the Annual General Meeting accompanying this Annual Report. The AGM is an opportunity for shareholders to ask questions relating to the company and it will be held at the company's office in Bath and also available on Zoom with details of how to join given in the notice of meeting.

Corporate governance code

The Board recognises the corporate responsibility in the way that INSPECS operates around the globe. In January 2020 the Board approved the adoption of 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 in pages 40 to 53 of this report.

The Board has ultimate responsibility for internal control and how we manage this process is shown on pages 74 and 75.

Our gender diversity is shown on pages 44 and 45 of this report. The principal elements of internal control are as follows:

The QCA Corporate Governance Code

	Governance Principles	Compliant	Explanation	Further Reading
Deliver growth				
1	Establish a strategy and business model which promotes long-term value for shareholders.	✓	The Board is responsible for Group strategy and its implementation. This strategy is debated and tracked by the Board who monitor its progress.	See pages 22 to 29 to learn more about our strategy and business model.
2	Seek to understand and meet shareholders' needs and expectations.	✓	Meetings are held with investors and analysts at half-yearly interim and final accounts. The AGM provides a forum for all shareholders to meet and hear from the Directors. Shareholder comments and suggestions are welcomed by the Board.	See page 54 to see how we communicate. Further information is available on our website www.INSPECS.com .
3	Take into account wider stakeholders and social responsibilities and their implications for long-term success.	✓	The Board has identified the key stakeholders in the business and discusses the impact of the long-term growth strategy and how our business model may affect these stakeholders.	See pages 54 and 55 to see how we communicate and deal with our stakeholders.
4	Embedded effective risk management, considering both opportunities and threats throughout the organisation.	✓	The Audit and Risk Committee regularly reviews risks to the Group, both internal and external. Health and Safety is of paramount importance and a standard Board meeting agenda item.	See pages 59 and 61 for further detailed information on risk management.
Maintain a dynamic management framework				
5	Maintain the Board as a well-functioning, balanced team led by the Chairman.	✓	The Board consists of four experienced relevant Non-Executive Directors and the CEO and CFO. The Board has a wealth of experience on strategy, operations and financial matters. The Chairman engages in open debate and new goals are challenged.	See Board Director information pages 70 and 71 for further guidance.
6	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	✓	The Board believes that it has the required skills and correct balance of capabilities to manage the Group. Members of the Board keep their skill levels up in a variety of ways throughout the year.	See pages 70 and 71 of our Corporate Governance Report.
7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	✓	During 2022 the Board undertook an evaluation of its 2021 performance to ensure the Board had the required necessary collective skills. This review will continue to take place on an annual basis.	The criteria to be used to evaluate the Board is set out on page 67.
8	Promote a corporate culture that is based on ethical values and behaviours.	✓	The Board promotes and encourages, across the Group, the core values of the Group. The aim is to deliver continual improvement in both the economic performance of the Group but also its social responsibility to the wider community.	See pages 64 to 68 of the Corporate Governance Report.
9	Maintain 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 they have the ability to review, debate and make well-informed decisions.	See more information on the Committee Reports on pages 74 to 79.
Build trust				
10	Communicate how the company is governed and is performing by maintaining dialogue with shareholders and other relevant stakeholders.	✓	INSPECS has open communication with a wide range of stakeholders. This includes regular updates with investors, yearly and half yearly reports and regulatory news service releases on key corporate matters.	See pages 54 and 55 of the Strategic Report.

Board of Directors

Lord MacLaurin

Chairman

Tenure

Lord MacLaurin has served as Board Chairman since 8 March 2017.

Skills, competence and experience

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



Angela Farrugia

Independent Non-Executive Director

Tenure

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

Skills, competence and experience

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 to 22 years operating experience gained within a challenging international business environment.



Richard Peck

Non-Executive Director

Tenure

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

Skills, competence and experience

Richard Peck has over 38 years of optical experience. Richard brings a wealth of experience from working in other leading eyewear companies, such as David Clulow and Luxottica, where he held the position of Managing Director Retail Northern Europe between 2010 and 2018. Richard's retail background increases the Board's diversity of skills, knowledge and experience.



Christopher Hancock FCA

Chair of the Audit and Risk Committee &
Remuneration and Nomination Committee

Tenure

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

Skills, competence and experience

Christopher Hancock FCA has 31 years experience in business development, restructuring and corporate finance. Christopher qualified as a chartered accountant with Arthur Andersen before entering investment banking, where he spent 10 years with JP Morgan. He established his own consultancy practice in 2009 and co founded an FCA regulated corporate finance and investment management firm in 2012. Christopher brings a broad range of experience in business development, M&A and corporate finance in public markets.



Executive team

Robin Totterman

Group Chief Executive Officer

Tenure

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

Skills, competence and experience

Robin Totterman is an entrepreneur and forerunner in the branded eyewear industry with over 31 years experience in eyewear licensing, design, manufacture and wholesale. Robin's passion for design and fashion brought the first branded eyewear to the UK optical market (Jean-Paul Gaultier). His ability to recognise value and seize opportunity saw him complete the acquisition of Killine in 2017, creating a vertically integrated Group rivalled by only a small number of eyewear firms. Prior to INSPECS, Robin worked at UBS and Banque Paribas.



Chris Kay

Group Chief Financial Officer

Tenure

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

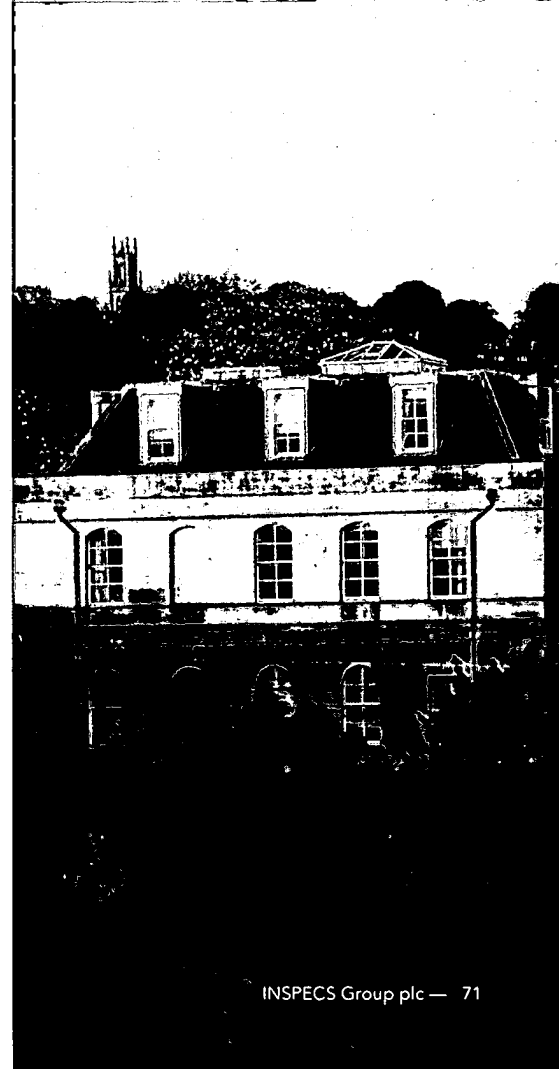
Skills, competence and experience

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 Robin Totterman on strategy for the Group. Chris' business development and M&A experience was pivotal to the execution and integration of INSPECS' Killine Group acquisition in 2017 and further acquisitions of Norville and Eschenbach in 2020.



Committee Membership Key

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



Corporate Governance

Key Management





Group's senior team

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

Audit and Risk Committee Report

The members of the Audit and Risk Committee are all independent Non-Executive Directors in compliance with the QCA Code. The Audit and Risk Committee is chaired by Christopher Hancock and is responsible for the following main areas.

Christopher Hancock FCA 
Audit and Risk Committee Chair



- Reviewing and monitoring the financial performance of the Group
- Reviewing the integrity of the financial statements
- Reviewing the internal control and risk management systems
- Advising on the suitability and independence of the external auditors
- Reviewing extent of non-audit services provided to the Group
- Engaging with the external auditors and ensuring the scope of the audit is acceptable
- Monitoring the disclosures in the Annual Reports and Accounts
- Reviewing changes in accounting policies
- Review of the Group's continuing IT development and access controls
- Review of the Annual Report and Accounts to ensure its completeness and fairness and understandability
- Review of interim announcements
- Review of going concern, key judgements and significant accounting policies
- Reviewing the carrying values of intangible and tangible assets

External audit

The external auditors EY were reappointed on 19 July 2021. The fee for the audit to 31 December 2021 is \$1,404,000 (2020: \$1,239,000). The Audit and Risk Committee undertakes a review of the effectiveness and independence of the Group auditors. The fee increase in 2021 was primarily due to the enlarged size of the Group with all material components now audited by EY.

Meetings, attendance and time commitment

The Audit and Risk Committee has unrestricted access to the Group's auditors and is mandated to meet twice a year. In addition the Committee has meetings with external auditors without management present. The Group CFO attends the meetings of the Committee by invitation.

Internal audit

The Group does not have an internal audit function. However, due to the enlarged Group size it is expected that an external consultant will lead an internal audit process in 2022.

Risk governance

The Audit and Risk Committee met four times in the year to consider the risks faced by the Group and to ensure that policies are in place to mitigate them. The results of this review are set out under Risk Management on pages 59 to 61.



O'Neill Wave Frame

4

Meetings during 2021

Attendance

Christopher Hancock ● ● ● ● ●
 Lord MacLaurin ● ● ● ● ●
 Richard Peck ● ● ● ● ●
 Christopher Kay* ● ● ● ● ●

* In Attendance

3

Committee members

Christopher Hancock
 Lord MacLaurin
 Richard Peck

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:

- Close management and monitoring of the Group's Executive Directors
- Monitoring the organisational structure and promoting risk based decision-making
- A comprehensive annual budgeting process producing detailed profit and loss, balance sheets, and cash flows on a rolling 12-month basis
- Comprehensive monthly reporting of KPI's, key risk areas, capital expenditure and banking facilities

Significant financial judgements

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

- COVID-19 and the effects on the Group at both the performance and also at the going concern level. The Committee continues to monitor the effect of COVID-19 and the impact on any assets as a result of the disruption to trade caused by COVID-19
- The Committee reviewed management response to the continuing price increases affecting the business including shipping, distribution, labour and energy increases facing the Group
- The Committee reviewed the acquisition of the EGO Eyewear and BoDe Design businesses, the fair value of intangible assets and valuation of goodwill. For the acquisitions, KPMG were appointed to carry out the conversion of the principal statements from local GAAP to IFRS accounting standards, as well as the identification and valuation of intangible assets arising on the acquisition and the allocation of goodwill
- Goodwill and intangible assets are significant values in the balance sheets and the Committee reviewed any potential impairment that might be required, the cash flows of the CGU (cash-generating units) and the discount rates applicable to the CGU
- The Committee reviewed revenue recognition assessments impacting on new acquisitions in 2021
- The Committee reviewed the tax provisions recognised relating to transfer pricing and permanent establishment risks and the updated associated reports produced by KPMG
- The Committee reviewed IAS 7, cash and cash equivalents whereby assets must be readily convertible to known amounts of cash, in relation to the prior year adjustment related to debt factoring arrangements of the Eschenbach Group
- The Committee has reviewed the going concern forecast for the period to 31 December 2023. This review focused in particular on the headroom on the leverage ratio and considered management's response to the continuing price increases affecting the business including shipping, distribution, labour and energy facing the Group and supply chain risks due to COVID-19 local lockdowns
- The Committee has reviewed management's investigation into balance sheet reconciliation issues noted at Tura. The investigation included performing extensive reviews of balance sheet accounts, interviews with key employees and analysis of journals by an external forensic accountant. This has resulted in a prior year adjustment on stock, prepayments and right of return liability – refer to page 107 for the prior year adjustments noted
- The Committee has reviewed the prior period adjustment recorded at Eschenbach over its debt factoring arrangement whereby receivables are not readily convertible at the year end and therefore it was considered appropriate to reclassify these from cash – refer to page 107 for the prior year adjustment noted

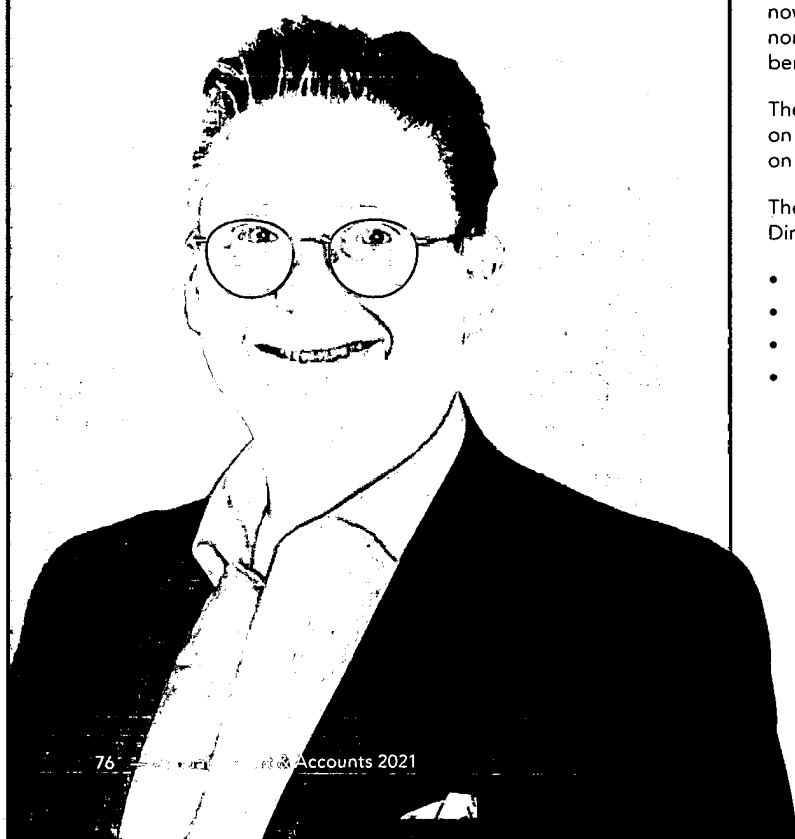
Whistleblowing, Fraud and Bribery Acts

The Group has in place a whistleblowing policy which sets out a formal process by which employees may in confidence raise concerns in respect of the Group's activities. These also include any financial improprieties in reporting or other matters. The Group is committed in all respect to a zero-tolerance position with regards to bribery.

Remuneration and Nomination Committee Report

The Remuneration and Nomination Committee is chaired by Christopher Hancock. Its members Lord MacLaurin and Richard Peck are all independent Directors, in line with the QCA code. The Committee has no personal interest in the Group other than as shareholders and have no conflicts from the day to day running of the business.

Christopher Hancock FCA 
Remuneration and Nomination
Committee Chair



Mandate

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

- Considering and monitoring the Group's policy in relation to employment terms and packages of the Executive Directors and key employees in the Group
- Evaluating the performance of the Executive Directors and making recommendations to the Board relating to their remuneration and terms of employment
- Reviewing and approving the LTIP share option plan and proposals for the issue of share options and pension arrangements

Remuneration policy

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

The remuneration package of each of the Executive Directors is now designed to include a performance related bonus and non-performance remuneration that includes salary, taxable benefits and pension contributions.

The performance bonus now includes the share awards as granted on IPO under the LTIP and a new salary performance bonus based on the Group's performance to budget.

The main elements of the remuneration package for Executive Directors are:

- Base salary
- Performance based annual bonus
- Long-term share incentives
- Benefits

1

Meeting during 2021

Attendance

Christopher Hancock	●
Lord MacLaurin	●
Richard Peck	●
Christopher Kay*	●

* In Attendance

3

Committee members

Christopher Hancock

Lord MacLaurin

Richard Peck

Long-term incentive plan (LTIP): Following admission to AIM on 27 February 2020, options were granted at the mid-market price to Executive Directors and key senior employees. During the year further options were granted under the LTIP to both the Executive and Senior Employees. The total amount of options granted to the Board and their respective issue price of the options is listed below.

Name	Option Granted	Date	Price £
Lord MacLaurin	50,000	26/02/2021	2.10*
Robin Totterman	150,000	22/12/2020	2.10
	50,000	23/12/2021	3.70
Christopher Kay	549,460	27/02/2020	1.95
	150,000	22/12/2020	2.10
	183,153	26/02/2021	3.25
	50,000	23/12/2021	3.70
Christopher Hancock	50,000	26/02/2021	2.10*
Richard Peck	50,000	22/12/2020	2.10
Angela Farrugia	50,000	22/12/2020	2.10
Senior employees	2,845,745	31/12/2020	2.02**
Senior employees	1,177,882	31/12/2021	3.51**

*Options granted to Lord MacLaurin and Christopher Hancock were to reflect their work on the Eschenbach acquisition on 16 December 2020. No further share options have been granted to Non-Executive Directors.

** Weighted Average

These options have a three year vesting period from the date of grant. The total options outstanding as at 31 December 2021 were 5,356,240 and this represents 5.27% of the company's issued share capital as at 31 December 2021 amounting to 101,671,525 shares of 0.01p each.

2021 Annual bonus

The Group met its annual performance targets in 2021 and as a result the Executive and Non-Executive team returned to full pay for the year to 31 December 2021. However, the Board decided to not pay any additional bonus in 2021. For 2022 the Committee has commissioned an independent report by KPMG into Executive and Non-Executive pay due to the rapid growth of the business.

Service contracts

The Executive Directors signed new service contracts on 27 February 2020. They have no fixed duration. These service contracts are terminable with six months' notice.

The CEO and CFO are invited to attend the Remuneration and Nomination Committee meetings as appropriate but will make themselves absent as and when required.

Directors' interest in shares

The interests of the Directors as at 31 December 2021, including their family, in the Ordinary Shares of the company were.

	2021	2020
Lord MacLaurin	78,346	78,346
Robin Totterman	19,861,213	19,381,048
Christopher Kay	2,200,000	2,191,426
Christopher Hancock	16,440	16,440
Richard Peck	9,523	9,523
Angela Farrugia	11,904	11,904

Remuneration and Nomination Committee Report continued

Directors' employment and pension contributions to 31 December 2021

Remuneration and pension contribution of individual Directors	USD		
	Salary or fees	Taxable benefits	Total remuneration
Lord MacLaurin	56,494	–	56,494
Robin Totterman	328,095	1,524	329,618
Christopher Kay	291,640	28,129	319,769
Christopher Hancock	61,630	–	61,630
Richard Peck	61,630	–	61,630
Angela Farrugia	46,222	–	46,222

Directors' employment and pension contributions to 31 December 2020

Remuneration and pension contribution of individual Directors	USD		
	Salary or fees	Taxable benefits	Total remuneration
Lord MacLaurin	34,828	–	34,828
Robin Totterman	185,802	3,383	189,185
Christopher Kay	137,345	14,839	152,184
Christopher Hancock	42,102	–	42,102
Richard Peck	42,102	–	42,102
Angela Farrugia	27,726	–	27,726

Transaction with Directors

The only material transaction between the Directors and the company were as follows:

Kelso Place LLP

Rent payable by INSPECS Limited on Kelso Place, the headquarters of the company. This rent is reviewed to ensure it is on a normal commercial basis and amounted to \$182,275 in the year to 31 December 2021 (2020: \$113,000). The building is owned by Kelso Place LLP of which Robin Totterman is the controlling partner. Kelso Place waived 3 months' rent during 2020 to reflect trading conditions affected by COVID-19.

Thorne Lancaster Parker

Christopher Kay, a Director of the company is also a partner in Thorne Lancaster Parker. During the year the partnership charged INSPECS Limited \$53,000 (2020: \$65,000) in respect of professional services provided. On 31 December 2021, INSPECS Limited owed Thorne Lancaster Parker \$nil (2020: \$nil) in respect of the above, with this balance included within trade payables. During the year the partnership charged Norville (20/20) Limited \$14,000 (2020: \$7,000) in respect of professional services provided, with \$4,000 being owed at the end of the year (2020: \$nil).

Farm Street Partners

Christopher Hancock is a partner of Farm Street Partners which charged the Group monitoring fees of \$nil (2020: \$13,000) during the year. No balance was outstanding at 31 December 2021 (2020: \$nil).

The charge for 2020 related to fees prior to Christopher Hancock becoming a Director of INSPECS Group plc.

BXS Projects Limited

Angela Farrugia is a Director of BXS Projects Limited which charged the Group \$nil (2020: \$10,000). No balance was outstanding at 31 December 2021 (2020: \$nil).

The charge for 2020 related to fees prior to Angela Farrugia becoming a Director of INSPECS Group plc.

Share price movement

The price movement of the shares in the company following admission to the London AIM from the lowest to highest in the year is set out below:

Admission to AIM 27 February 2020	£1.95
Highest market price in the year	£4.05
Lowest market price in the year	£3.30

Directors' Report

The Directors present their report together with the audited financial statements for the period ended 31 December 2021. The Corporate Governance Statement on pages 64 to 69 also forms part of this Directors' Report.

Review of business

The Chairman's Statement on pages 12 to 15 and the Strategic Report on pages 6 to 61 provides a review of the business, the Group's trading for the year ended 31 December 2021, key performance indicators and an indication of future developments.

Result and dividend

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

The Group results for the year are set out in the Consolidated Statement of Comprehensive Income on page 94. The company financial statements have been prepared under FRS 101 for the year ended 31 December 2021.

The Group's revenue of \$246.5 (FY20: \$47.4m), gross margin of 47% (FY20: 43%) and loss after tax of \$5.4m (FY20: loss \$8.9) represent an encouraging year for the business given the continued challenging circumstances relating to COVID-19.

Period ended	Reported IFRS	
	31 December 2021	31 December 2020
Revenue (\$m)	246.5m	47.4m
Gross Margin %	47.0	43.3
Loss after tax (\$m)	(5.4m)	(8.9m)

The Board is recommending a final dividend of 1.25 pence per share.

Directors

The Directors of the Group during the period were:

Executive	Non-Executive
Robin Totterman	Lord Ian MacLaurin
Christopher Kay	Christopher Hancock
	Richard Peck
	Angela Farrugia

The names of the Directors, along with their brief biographical details are given on pages 70 and 71.

Directors' interest

The Directors' interest in the share capital of the company at 31 December 2020 and 2021 is shown below:

	2021	2020
Robin Bjorn Christian Totterman	19,861,213	19,381,048
Christopher Kay	2,200,000	2,191,426
Lord Ian MacLaurin	78,346	78,346
Christopher Hancock	16,440	16,440
Angela Farrugia	11,904	11,904
Richard Peck	9,523	9,523

Political donations

The Group made no political donations in the financial period.

Disclosure of information to auditor

As far as the Directors are aware, there is no relevant audit information (that is, information needed by the Group's auditor in connection with preparing their report) of which the Group's auditor is 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 auditor is 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 page 137.

Share capital structure

At 31 December 2021, the company'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 company.

Directors' Report continued

Substantial shareholders

At 31 December 2021, the company had been notified of the following substantial shareholders comprising of 3% or more of the issued Ordinary Share capital:

	% of issued share capital
Robin Bjorn Christian Totterman	19.61%
Canaccord Genuity Group Inc	14.49%
Aberdeen Standard Investments	7.69%
Amati Global Partners	6.50%
Tellworth Investments	4.79%
BlackRock	4.32%
Janus Henderson Group plc	4.20%
Liontrust Asset Management	3.89%
Invesco	3.87%
Royal London Asset Management	3.85%
Chelverton Asset Management Ltd	3.54%

Share option schemes

Details of employee share scheme are set out in note 33 to the Consolidated Financial Statements.

Purchase of own shares

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

Going concern

As a result of COVID-19 the Group saw some disruption in 2021. The disruption was mainly in our supply chain and the Optical retail market remained open in 2021. The Group was able to trade successfully and generate cash despite some disruption in the supply chain and increased costs towards the second half of 2021 for raw materials, energy and transportation. The Group has improved its Gross Margin in 2021 and the results, despite disruption, were in line with our forecast.

The Directors have considered the Group's financial review, borrowing levels, leverage and capital expenditure to the end of 31 December 2023 as part of its comprehensive review.

The Board considered a base case, two downside scenarios and a reverse stress test to assess the effect of further COVID-19 restrictions on the supply chain, increased costs of living and reduced consumer demand, sales, profitability, and cash generation. The scenarios were as follows:

- The base case is the board approved budget which has been updated to April 2022. The budget was prepared assuming that some COVID-19 restrictions, consistent with those in place in January 2021, are in place in 2022 and 2023. The restrictions in place at this time resulted in reduced footfall on the high streets and at airports resulting in reduced sales of non-prescription items. Consideration has also been made of increased costs and challenges in fulfilling orders because of the risk of disruptions in the supply chain.
- The budget does not assume any acquisition expenditure.
- The budget was prepared before the Ukrainian/Russian conflict. However, the Group does not currently have any operations in Russia or Ukraine or source materials from these locations. The main effect from the current crisis is on raw material costs driven by the increase in the price of oil. The Group expects to be able to maintain its budgeted margin throughout 2022 and 2023.
- A downside scenario updated the base case scenario with a further 10% reduction in sales from October 2022 as the Group has certainty over its customer orders up to this point. We have also assumed some cost saving at a conservative level by reducing expected bonus payments to senior employees. A second downside scenario was performed which used the same assumptions but made consideration of the poor trading in April 2022 due to a lockdown in Shanghai which resulted in a significant number of orders being held at the port.
- A reverse stress test scenario updated our base case scenario with a further 22% reduction in sales and 3% reduction in gross margin from October 2022 which results in a covenant breach in June 2023. We also assumed some controllable cost saving by a reduction in employee expenses and removed discretionary CAPEX spending.

The Group's borrowings with HSBC, amounting to \$54.8m, contains three covenants; leverage ratio, cashflow cover and interest cover. Compliance on these covenants is based on 12 monthly rolling EBITDA results and 12 month rolling interest payments respectively. In June 2022, the Group successfully renegotiated an amendment to the covenants with HSBC whereby the required leverage ratio was increased to December 2022 and the lease on the new Norville factory is treated as a 10-year lease for the purposes of calculating the net debt figure used in the leverage ratio. This increased the headroom available to the business in response to adverse trading conditions in April 2022 as mentioned above that saw the headroom reduced. The cash available to the business means that the covenants are more sensitive than liquidity.

The Group has considered the reasonably plausible downside scenarios which are informed by the degree of headroom on covenants at December 2021 and March 2022 which were limited. These scenarios do not result in any covenant breach throughout the going concern period. The group mitigates this risk by having diverse delivery routes and has the ability to withstand further increases in freight costs. Because of the aggregate improvement in the past 12 months trading since COVID-19 restrictions were lifted across the UK and Europe, we forecast that headroom will increase to 27.9% at the next covenant test in June 2022.

Further, the Group has considered the reverse stress test scenario, which models a breach in the leverage ratio covenant test in June 2023. In this case, the Directors have available the cost saving strategies that were implemented in 2020 that could be reintroduced with no support from the Government. However, such a scenario would see 2023 underlying EBITDA being less than half of that achieved in 2021, a year that was impacted by COVID-19 and when the Group had fewer revenue and profit generating entities. As a result, the directors consider that this scenario is a remote possibility.

On this basis, the Board has reasonable expectations that the Group and Company has adequate resources to continue as a Going Concern to 31 December 2023. Accordingly, the directors adopt the going concern basis in preparing the financial statements.

Post balance sheet events

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

Future developments

The Board intends to continue to pursue the business strategy as outlined in the Strategic Report on pages 22 and 23.

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 Sustainability Report on pages 40 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 businesses 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 company 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.

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 11 August 2022. The ordinary business comprises receipt of the Directors' Report and audited financial statements for the year ended 31 December 2021, 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 company'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 29 June 2022.



Christopher Kay
Chief Financial Officer
Director

29 June 2022

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 International Financial Report Standards (UK IFRS), as adopted by the European Union, 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 International Financial Report Standards (UK IFRS) 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.

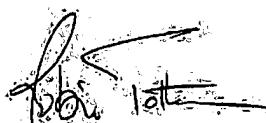
The directors are responsible for the maintenance of accounting records that are sufficient to show and explain the Group and the parent company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Group and the parent company, and enable them to ensure that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

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

Directors' confirmation

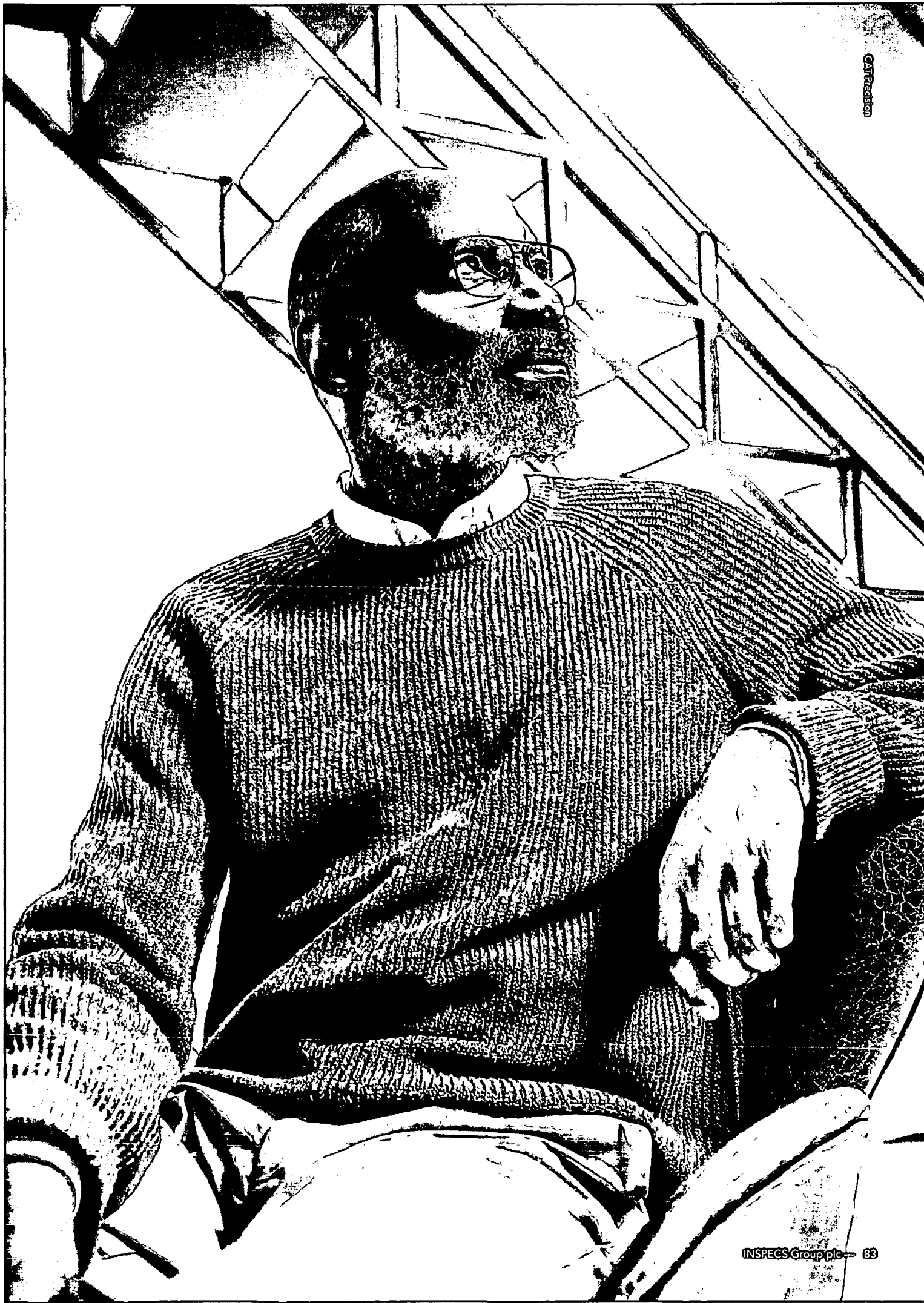
The directors consider that the Annual Report and Accounts, taken as a whole are fair, balanced and understandable. They provide the information necessary for shareholders to assess the Group and parent company's position and performance, business model and strategy.

On behalf of the Board



Robin Totterman
Chief Executive Officer

29 June 2022



Financial Statements

Independent Auditor's Report to the Members of INSPECS Group plc	86
Consolidated Income Statement	95
Consolidated Statement of Other Comprehensive Income	95
Consolidated Statement of Financial Position	96
Consolidated Statement of Changes in Equity	98
Consolidated Statement of Cash Flows	99
Notes to the Consolidated Financial Statements	100
Company Statement of Financial Position	142
Company Statement of Changes in Equity	143
Notes to the Company Financial Statements	144
Appendix 1 – Reconciliation of Underlying EBITDA	150
Company Information and Advisers	151

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Independent Auditor's Report

to the members of Inspects 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 2021 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of INSPECS Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise:

Group	Parent Company
Consolidated income statement for the year ended 31 December 2021	Company statement of financial position as at 31 December 2021
Consolidated statement of comprehensive income for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of financial position as at 31 December 2021	Related notes 1 to 8 to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the year then ended	
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 36 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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:

- Obtaining management's assessment and understanding the process undertaken by management to perform the going concern assessment, including the evaluation of any operational and economic impacts of COVID-19, increases to the cost of living, and the risk of reduced demand for products due to inflation or recession on the Group;
- Confirming our understanding of the impact of the lockdown in Shanghai to the business in light of April 2022's results. We performed stress testing to identify the frequency and severity of repeated, discrete lockdowns that would be required to breach financial covenants and whether the reduction in EBITDA has no more than a remote possibility of occurring;
- Testing the clerical accuracy of the model used to prepare the Group's going concern assessment to 31 December 2023, including the forecast covenant compliance;
- Confirming the availability of debt facilities and review of underlying terms, including covenants to 31 December 2023 and amendments to these made in June 2022, and confirming the repayments due within this period are accurately included;
- 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 schedules, and challenged these using supporting evidence including debt agreements, existing facilities, FY22 period performance to date including April's reduced trading and independent industry forecasts;
- Evaluating management's key assumptions underpinning the Group's forecasts (such as revenue growth, gross margins and cost reductions), by comparing to externally produced market analyses;

- Challenging, based on our own independent sensitivity testing, whether the downside case prepared by management could lead to a covenant breach. Our assessment included consideration of the impact and likelihood of:
 - The loss of major customers,
 - The loss of significant brand licences,
 - Ongoing or sudden impositions of COVID-19 restrictions,
 - Increases in costs, such as freight, that are unable to be passed on to customers.
- Challenging the controllable mitigating actions such as implementing reduced working weeks, pay reductions and reduced capital expenditure that management could take in a downside scenario;
- 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, the circumstances behind April 2022’s decline, and external market data;
- Assessing the appropriateness of the going concern disclosure on page 100.

Our key observations

- The directors’ assessment forecasts that the Group will maintain sufficient liquidity through the going concern assessment period in the base case scenario. A 22% reduction in revenue and a 3% reduction in gross margin is required in the reverse stress test to cause a breach of covenant in June 2023 which management consider to be remote. A breach of covenant is the main risk to the Group, not liquidity, due to the cash available to the business.
- The leverage ratio covenant had limited headroom at 31 December 2021 and is the most sensitive to adverse performance of the business. Management negotiated an amendment to the covenants whereby the leverage ratio was increased to December 2022 and a purchase option on a lease on a new factory is treated as an exceptional item for the purposes of calculating the net debt figure used in the leverage ratio.
- Management has available to them controllable mitigating actions, including deferring capital expenditure and discretionary spending, that can be taken over the going concern period. We note that no debt repayments are due on the revolving credit facility within the assessment period.

Going concern has also been determined to be a key audit matter. 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 31 December 2023. 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	<p>We performed an audit of the complete financial information of 5 components and audit procedures on specific balances for a further 3 components.</p> <p>The components where we performed full or specific audit procedures accounted for 90% of adjusted EBITDA, 83% of Revenue and 96% of Total assets.</p>
Key audit matters	<ul style="list-style-type: none"> • Acquisition accounting • Inappropriate revenue recognition • Valuation of goodwill • Valuation of uncertain tax positions
Materiality	<ul style="list-style-type: none"> • Overall group materiality of \$824,000 which represents 3% of adjusted EBITDA.

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 and changes in the business environment when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group Financial Statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 33 reporting components of the Group, we selected 8 components covering entities within the UK, Hong Kong, Germany and the USA which represent the principal business units within the Group.

Of the 8 components selected, we performed an audit of the complete financial information of 5 components (“full scope components”) which were selected based on their size or risk characteristics. For the remaining 3 components (“specific scope components”), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

Independent Auditor's Report *continued*

to the members of Inspec Group plc

The reporting components where we performed audit procedures accounted for 90% (2020: 93%) of the Group's adjusted EBITDA, 83% (2020: 96%) of the Group's Revenue and 96% (2020: 100%) of the Group's Total assets. For the current year, the full scope components contributed 77% (2020: 86%) of the Group's adjusted EBITDA, 74% (2020: 80%) of the Group's Revenue and 85% (2020: 98%) of the Group's Total assets. The specific scope component contributed 13% (2020: 7%) of the Group's adjusted EBITDA, 9% (2020: 17%) of the Group's Revenue and 5% (2020: 2%) of the Group's Total assets. 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. In addition, we conducted specified procedures over a number of account balances relating to 2 reporting units, representing 0% (2020: 0%) of the Group's adjusted EBITDA, 0% (2020: 0%) of the Group's revenue and 6% (2020: 0%) of the Group's total assets, in response to the specific risks associated with these.

Of the remaining 23 components that together represent 10% of the Group's adjusted EBITDA, none are individually greater than 1% of the Group's adjusted EBITDA. For these components, we performed other procedures, including analytical review testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

The table below illustrates the coverage obtained from the work performed by our audit teams.

Reporting components	2021				2020			
	Number	% of Group adjusted EBITDA	% of Group Revenue	% of Group Assets	Number	% of Group adjusted EBITDA	% of Group Revenue	% of Group Assets
Full scope	5	77%	74%	85%	6	86%	80%	98%
Specific scope	3	13%	9%	5%	3	7%	17%	2%
Specified procedures	2	0%	0%	6%	0	0%	0%	0%
Full, specific, and specified procedures coverage	10	90%	83%	96%	9	93%	96%	100%
Remaining components	23	10%	17%	4%	23	7%	4%	0%
Total reporting components	33	100%	100%	100%	32	100%	100%	100%

Changes from the prior year

The approach to audit scoping is similar to the prior year audit. Our scoping changes from the prior year due to the change in either risk assigned to the components or contribution by the component include the following:

- The previous parent entity for the Inspec Group has been moved from full scope to review scope only given limited transactions now take place within this entity.
- Inspec USA was classified as specific scope in prior year. The entity has also been demoted to review scope only in current year due to a decrease in size compared to the overall increase in Group.
- We performed specified procedures relating to the Ego and BoDe entities as these were acquisitions made during the financial period. The Eschenbach top company consolidation has been removed from full scope testing as consolidation is no longer required in Germany due to the exemptions taken in the current year.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 5 full scope components, audit procedures were performed on 2 of these directly by the primary audit team and 3 by component audit teams. For the 3 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the group as a whole.

The group audit team followed a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits overseas entities every second year on a planned rotation policy where this is possible. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in both Germany (Eschenbach Optik) and USA (Tura). These visits involved discussing the audit approach with the component teams, meeting with local management, attending pre-closing meetings and reviewing relevant audit working papers on risk areas.

The primary team had also intended to visit Hong Kong in the current year. However, due to the ongoing local travel restrictions this was not possible. Consequently, Hong Kong was visited virtually by the Senior Statutory Auditor in the current year. Virtual meetings were held and involved meeting with the EY component team to discuss and direct their audit approach, reviewing key working papers and understanding the significant audit findings in response to the risk areas. Meetings were also held virtually with local management, obtaining updates on local regulatory matters and projections for trade going forward.

The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant

working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at group level, gave us appropriate evidence for our opinion on the group financial statements.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact the Group. The Group has determined that the most significant future impacts from climate change on its operations will be from supply chain disruption and possible cost increases to reduce carbon usage. These are explained on pages 48 and 61 of the Strategic report, which form part of the "Other information," rather than the audited financial statements. Our procedures on these 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.

Our audit effort in considering climate change was focused on ensuring that the effects of climate risks disclosed on pages 48 and 61 have been appropriately reflected in asset values and associated disclosures where values are determined through modelling future cash flows, being the goodwill impairment assessment. Details of our procedures and findings on goodwill impairment are included in our key audit matters below.

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Acquisition Accounting The Group has undertaken two acquisitions in the year: Ego for \$15.2m and BoDe for \$3.5m including contingent consideration. There have been estimates and judgements required to calculate fair values and IFRS conversion adjustments required under IFRS 3 and these estimates as subject to management bias. The following estimates and judgements have been determined to be the most significant: <ul style="list-style-type: none"> Fair value adjustments booked relating to the intangible assets Calculation of the contingent consideration relating to the acquisitions There is also a further risk relating to the accounting for these non-routine transactions as they are booked as manual topside journals. A small error in accounting or booking of these journals could lead to a material misstatement. The Group has reassessed acquisition accounting entries booked in relation to the Eschenbach acquisition in the prior year. There have been purchase price accounting adjustments made to estimates during the acquisition period which has resulted in an increase to goodwill of \$2,877k.	We obtained management's assessment of purchase price accounting adjustments to be booked and perform detailed testing, including consideration of contradictory evidence to critically assess the key inputs to the calculation including: <ul style="list-style-type: none"> Evaluating any growth or discount rates used by comparison to industry norm Obtaining third party evidence where available and critically assessing the independence of that third party to provide the evidence We obtained bank confirmations and loan agreements to validate the funding raised to enter into undertake the acquisitions and to support the consideration paid. We involved our valuations specialists to support us in assessing the assumptions used to calculate the fair value of any material assets purchased. We obtained management's calculation of the contingent consideration liability; we agreed the basis for the calculation to the original contract and performed sensitivity analysis of key assumptions. We examined the journals posted by management to account for the acquisitions under IFRS 3. We obtained supporting evidence for material amounts and critically assessed the accounting for compliance with the accounting standards. We validated that the journals booked into the consolidation were in line with the supporting accounting records. We assessed whether the disclosures in the financial statements relating to the acquisitions were complete and met the disclosure requirements of IFRS.	We involved specialists to challenge the estimates and judgements made by management to calculate purchase price adjustments booked upon acquisition. We have performed substantive testing relating to manual adjustments calculated and assessed the appropriateness of disclosures in the financial statements. We concluded the methodology applied as appropriate. Prior period adjustments as set out in note 2 have been recognised in accordance with IAS 8 and appropriately disclosed. We have performed extended audit procedures relating to the Tura component to conclude that prior period adjustments are complete.

Independent Auditor's Report continued

to the members of Inspects Group plc

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>In addition, during the audit there were prior period errors identified at two of the Eschenbach components which has further increased goodwill by \$744k.</p> <p>There is a risk that these adjustments are inappropriately calculated or are not complete. There is a risk that the prior period adjustments arose as a result of an intentional misstatement of the financial information at the components.</p>	<p>We obtained management's assessment of the changes in estimates to be booked as purchase price accounting and prior period adjustments and performed detailed testing, including consideration of contradictory evidence to critically assess the key inputs to the calculation including:</p> <ul style="list-style-type: none"> • Performing sensitivity analysis relating to key assumptions • Agreeing underlying data supporting the calculations to third party evidence. We read the report prepared by Group management relating to the errors identified following their investigation <p>We read the report prepared by management specialists who were engaged to investigate the reconciling differences.</p> <p>We obtained management's calculation of prior period adjustments booked to be booked and performed detailed testing, including consideration of contradictory evidence to critically assess the key inputs to the calculation including:</p> <ul style="list-style-type: none"> • Validating amounts booked to third party evidence where available • Evaluating the completeness of adjustments booked at Tura by undertaking a full balance sheet review at a lower testing threshold. • Involving our forensic specialists to perform and review extended journal entry testing and support us in concluding whether there was any evidence of intentional misstatement of financial information. <p>We considered whether errors could be present in other Eschenbach components as part of our workpaper review over significant components.</p> <p>We performed full scope audit procedures over this risk area in the UK, which covered 100% of the risk amount. All procedures were performed by or directed by the EY primary audit team with support from component teams in Germany and USA.</p>	
<p>Inappropriate Revenue Recognition (2021 \$246.5m, 2020 \$47.4m)</p> <p>Revenue performance is a focus for stakeholders who expect a year-on-year growth in revenues. Most of the Group's sales arrangements typically require little judgement to be exercised, with revenue being recognised on the delivery of goods. However, there is a risk that management may override controls to intentionally misstate revenue transactions by recording fictitious manual journals to revenue; specifically, in relation to the right of return provision.</p>	<p>Enquiries of management were made as to the existence of rebate or return arrangements with key customers</p> <p>A sample of rebate and returns provisions was selected with inputs to these calculations validated through critically assessment of the assumptions and estimations made.</p> <p>Agreed calculations to customer contracts or agreements where available or payments subsequent to year-end.</p> <p>We performed full and specific scope audit procedures over this risk area in 6 locations, which covered 82% of the risk amount.</p>	<p>Based upon the procedures performed, including those in respect of manual adjustments to revenue and cut off, we did not identify any evidence of material misstatement in the revenue recognised during the year.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Valuation of Goodwill (2021 \$81.4m, 2020 \$72.7m (restated))</p> <p>There is a risk that goodwill arising from past and recent acquisitions is impaired. There is goodwill relating to legacy acquisitions of \$81.4m included in the balance sheet. Management is required to carry out an impairment review of goodwill under IFRS, which will involve judgement regarding the future results of the business and the discount rates applied to future cash flow forecasts and growth rates.</p>	<p>We validated that the CGUs identified were the lowest level at which management monitors goodwill.</p> <p>We 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.</p> <p>We evaluated the implied growth rates beyond FY21 by considering evidence available to support these assumptions, their consistency with findings from other areas of our audit and by performing sensitivity analyses.</p> <p>The discount rates and long-term growth rates applied within the model were assessed by an EY business valuation specialist, including comparison to economic and industry forecasts.</p> <p>For all relevant CGUs, we performed sensitivity analyses 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.</p> <p>We evaluated management's consideration of the possible impact of climate change on the long term forecasts through considering the discount rate sensitivity.</p> <p>We performed full scope audit procedures over this risk area in the UK, which covered 100% of the risk amount. All procedures were performed by the EY primary audit team.</p>	<p>Based on the procedures performed, we are satisfied that the carrying value of goodwill is materially correct. We consider the disclosure in the annual report is appropriate, including the disclosures relating to sensitivity analysis.</p>
<p>Valuation of Uncertain Tax Positions (2021 \$0.6m, 2020 \$2.8m)</p> <p>There are existing transfer pricing and permanent establishment provisions recognised in relation to the Killiney group totalling \$0.6m at 31 December 2021.</p> <p>Given the increased levels of judgement and estimation involved, there is a risk that management has not identified all uncertain tax provisions or has incorrectly calculated the uncertain tax position provisions arising within the Group.</p>	<p>We involved tax specialists to critically assess the assumptions made by management in calculating the UTPs.</p> <p>Our tax specialists walked through calculations prepared by management and validated for clerical accuracy and consistency with the requirements of IFRIC 23.</p> <p>We obtained management's specialists report to support the basis for releasing part of the provision in the current year, and involved our specialists to critically assess the findings in this report.</p> <p>We assessed the tax risks identified as part of the due diligence exercise for the BoDe and Ego acquisitions and assessed the completeness and valuation of any UTPs identified as a result.</p> <p>We performed full scope audit procedures over this risk area in the UK, which covered 100% of the risk amount. All procedures were performed by the EY primary audit team.</p>	<p>Based on the procedures performed, we consider the amounts provided relating to uncertain tax positions are reasonable and complete. We consider the Group's disclosures are also appropriate.</p>

In the prior year, our auditor's report included a key audit matter in relation to the accounting for the IPO listing in February 2020. As all accounting was completed in relation to this event in 2020, this key audit risk has been removed for 2021.

Independent Auditor's Report continued

to the members of Inspec Group plc

Our application of materiality

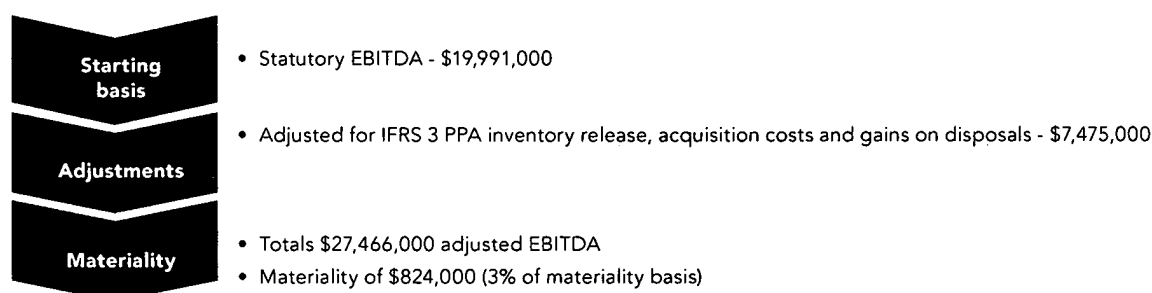
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

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 \$824,000 (2020: \$1,059,000), which is 3% of adjusted EBITDA (2020: 0.5% of total assets). We consider that adjusted EBITDA provides the most relevant performance measure to the stakeholders of the group. Adjusted EBITDA is used as the key highlight by management in their investor presentations and strategic report. This is a change from the previous year which was based on total assets due to the focus in prior year being over cash generations from the IPO funding immediate acquisitions within the business.

We determined materiality for the parent company to be \$963,000 (2020: £476,000), which is 0.5% (2020: 0.5%) of total assets. In performing our procedures, materiality was capped at the Group allocated materiality of \$300,000 (Not applicable within 2020).



During the course of our audit, we reassessed initial materiality and noted no need to change the basis that our original materiality was based on.

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% (2020: 50%) of our planning materiality, namely \$411,000 (2020: \$530,000). We have set performance materiality at this percentage due to a high number of corrected and uncorrected misstatements identified in the prior financial period and the significant change in the business seen in the year as a result of the Eschenbach acquisition made at the end of 2020.

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 \$44,000 to \$300,000 (2020: \$64,000 to \$397,000).

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of \$41,000 (2020: \$53,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report set out on pages 1 to 82 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 financials 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 82, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report continued

to the members of Inspects Group plc

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

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

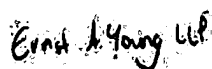
However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (UK adopted International Accounting Standards, United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006 and the UK Corporate Governance Code) and the relevant tax laws and regulations in the jurisdictions in which the Group operates.
- We understood how INSPECS Group plc is complying with those frameworks by making enquiries of management, the directors and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of board minutes, papers provided to the Audit Committee and attendance at meetings of the Audit Committee as well as consideration of the results of our audit procedures across the group.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of investors. We considered the programmes and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of group management, those charged with governance and legal counsel, as well as journal entry testing, with a focus on manual consolidation journals and journals indicating significant or unusual transactions based on our understanding of the business. Through our testing we challenged the assumptions and judgements made by management in respect of significant one-off transactions in the financial year and significant accounting estimates as referred to in the key audit matters section above. At a component level, our full and specific scope component audit team's procedures included enquiries of component management; journal entry testing; and focused testing, including in respect of the key audit matter of revenue recognition. We also leveraged our data analytics platform in performing our work on the order to cash and purchase to pay processes to assist in identifying higher risk transactions for testing.
- Where we identified potential non-compliance with laws and regulations, we developed an appropriate audit response and communicated directly with components impacted. Our procedures involved: understanding the process and controls to identify non-compliance, inquiring of key stakeholders, understanding the fact patterns in each case and using specialists including our forensics team to support us in concluding on the matters identified as applicable.

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

Use of our report

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



John Howarth (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

29 June 2022

Consolidated Income Statement

for the year ended 31 December 2021

	Notes	2021 \$'000	2020 \$'000
Revenue	4	246,471	47,415
Cost of sales	7,10	(130,699)	(26,893)
Gross profit		115,772	20,522
Distribution costs		(7,795)	(787)
Administrative expenses	7,10	(106,436)	(22,675)
Operating profit/(loss)		1,541	(2,940)
Non-underlying costs	8	(2,588)	(5,763)
Negative goodwill on bargain purchase		–	506
Movement in derivatives	30	–	(740)
Exchange adjustment on borrowings	33	(5,418)	(382)
Finance costs	9	(2,775)	(1,880)
Finance income	9	118	36
Share of profit of associate	16	(10)	–
Loss before income tax		(9,132)	(11,163)
Income tax credit	11	3,697	2,250
Loss for the year		(5,435)	(8,913)
Attributable to: Equity holders of the Parent		(5,435)	(8,913)
Earnings per share			
Basic loss for the year attributable to the equity holders of the Parent	12	\$(0.05)	\$(0.13)
Diluted loss for the year attributable to the equity holders of the Parent	12	\$(0.05)	\$(0.13)

Consolidated Statement of Other Comprehensive Income

for the year ended 31 December 2021

	2021 \$'000	2020 \$'000
Loss for the year	(5,435)	(8,913)
Other comprehensive income/(loss)		
Exchange differences on translation of foreign operations	2,907	(194)
Other comprehensive income/(loss) for the year, net of income tax	2,907	(194)
Total comprehensive loss for the year	(2,528)	(9,107)
Attributable to: Equity holders of the Parent	(2,528)	(9,107)

The notes on pages 100 to 141 form part of these Financial Statements.

Consolidated Statement of Financial Position

as at 31 December 2021

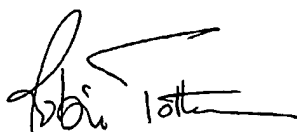
	Notes	2021 \$'000	2020 Restated \$'000
ASSETS			
Non-current assets			
Goodwill	13	81,359	72,708
Intangible assets	14	54,454	56,305
Property, plant and equipment	15	24,569	22,460
Right-of-use asset	24	22,269	20,379
Investment in associate	16	48	57
Deferred tax	28	12,540	12,771
		195,239	184,680
Current assets			
Inventories	17	55,664	55,495
Trade and other receivables	18	42,229	41,186
Tax receivables		3,468	1,556
Cash and cash equivalents	19	29,759	26,418
		131,120	124,655
Total assets		326,359	309,335
EQUITY			
Shareholders' equity			
Called up share capital	20	1,389	1,384
Share premium	21	122,291	121,940
Foreign currency translation reserve	21	2,818	(89)
Share option reserve	21	2,001	867
Merger reserve	21	7,296	7,296
Retained earnings		9,429	14,429
Total equity		145,224	145,827

The notes on pages 100 to 141 form part of these Financial Statements. Registered Company number: 11963910.

	Notes	2021 \$'000	2020 Restated \$'000
LIABILITIES			
Non-current liabilities			
Financial liabilities – borrowings			
Interest-bearing loans and borrowings	23	69,194	70,391
Contingent and deferred consideration	27	8,505	–
Deferred tax	28	20,517	24,678
		98,216	95,069
Current liabilities			
Trade and other payables	22	53,317	42,902
Right of return liabilities	4	11,100	12,145
Financial liabilities – borrowings			
Interest-bearing loans and borrowings	23	13,289	6,830
Bank overdrafts	23	–	2,642
Invoice discounting	23	2,433	–
Tax payable	29	2,780	3,920
		82,919	68,439
Total liabilities		181,135	163,508
Total equity and liabilities		326,359	309,335

The notes on pages 100 to 141 form part of these Financial Statements. Registered Company number: 11963910.

The Financial Statements were approved by the Board of Directors on 29 June 2022 and were signed on its behalf by:



R B C Totterman
Director



C D Kay
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	Notes	Called up share capital \$'000	Share premium \$'000	Foreign currency translation reserve \$'000	Share option reserve \$'000	Retained earnings \$'000	Merger reserve \$'000	Total equity \$'000
Balance at 1 January 2020	20,21	62	21,628	1,031	2,840	5,787	–	31,348
Changes in equity								
Loss for the year		–	–	–	–	(8,913)	–	(8,913)
Other comprehensive loss	21	–	–	(194)	–	–	–	(194)
Total comprehensive loss		–	–	(194)	–	(8,913)	–	(9,107)
Issue of share capital	20,21	603	119,215	–	–	–	(22)	119,796
Exercise of share options	20,21	99	2,725	–	(3,140)	2,973	–	2,657
Share-based payment	21	–	–	–	1,133	–	–	1,133
Share for share exchange and creation of merger reserve	20,21	620	(21,628)	(926)	34	(46,902)	68,802	–
Capital reduction	21	–	–	–	–	61,484	(61,484)	–
Balance at 31 December 2020		1,384	121,940	(89)	867	14,429	7,296	145,827
Changes in equity								
Loss for the year		–	–	–	–	(5,435)	–	(5,435)
Other comprehensive income	21	–	–	2,907	–	–	–	2,907
Total comprehensive loss		–	–	2,907	–	(5,435)	–	(2,528)
Exercise of share options	20,21	5	351	–	(350)	435	–	441
Share-based payments	21	–	–	–	1,484	–	–	1,484
Balance at 31 December 2021		1,389	122,291	2,818	2,001	9,429	7,296	145,224

The notes on pages 100 to 141 form part of these Financial Statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2021

	Notes	2021 \$'000	2020 Restated \$'000
Cash flows from operating activities	26	24,895	403
Interest paid		(1,968)	(1,144)
Tax paid		(2,910)	(7)
Net cash from/(used in) operating activities		20,017	(748)
Cash flows from investing activities			
Purchase of intangible fixed assets	14	(1,508)	(167)
Purchase of property, plant and equipment	15	(6,137)	(2,452)
Acquisition of subsidiaries, net of cash acquired	6	(8,134)	(108,075)
Interest received	9	118	36
Net cash used in investing activities		(15,661)	(110,658)
Cash flow from financing activities			
Proceeds from the issue of shares		–	115,761
Proceeds from the exercise of share options	21	355	–
New bank loans in the year	25	26,751	17,187
Bank loan principal repayments in year	25	(22,873)	(39)
Transaction costs on debt refinancing		(782)	(810)
Movement in invoice discounting facility	25	2,477	(2,577)
Principal payments on leases	25	(4,224)	(810)
Net cash from financing activities		1,704	128,712
Increase in cash and cash equivalents		6,060	17,306
Cash and cash equivalents including overdraft at beginning of the year		23,776	6,502
Effect of foreign exchange rate changes		(77)	(32)
Cash and cash equivalents including overdraft at end of year	19	29,759	23,776

The notes on pages 100 to 141 form part of these Financial Statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2021

1. General information

INSPECS Group plc is a public company limited by shares and is incorporated in England and Wales (Company number 11963910). The address of the Company's principal place of business is 7-10 Kelso Place, Upper Bristol Road, Bath BA1 3AU.

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

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 International Financial Reporting Standards ('IFRS').

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

The presentational currency for the Consolidated and Parent Company Financial Statements is the United States Dollar (USD) rounded to the nearest thousand. The Consolidated Financial Statements provide comparative information in respect of the year ended 31 December 2020.

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 31 December 2023.

The Board considered a base case, two downside scenarios and a reverse stress test to assess the effect of further COVID-19 restrictions on the supply chain, increased costs of living and reduced consumer demand, sales, profitability, and cash generation. The scenarios were as follows:

- The base case is the board approved budget which has been updated to April 2022. The budget was prepared assuming that some COVID-19 restrictions, consistent with those in place in January 2021, are in place in 2022 and 2023. The restrictions in place at this time resulted in reduced footfall on the high streets and at airports resulting in reduced sales of non-prescription items. Consideration has also been made of increased costs and challenges in fulfilling orders because of the risk of disruptions in the supply chain.
- The budget does not assume any acquisition expenditure.
- The budget was prepared before the Ukrainian/Russian conflict. However, the Group does not currently have any operations in Russia or Ukraine or source materials from these locations. The main effect from the current crisis is on raw material costs driven by the increase in the price of oil. The Group expects to be able to maintain its budgeted margin throughout 2022 and 2023.
- A downside scenario updated the base case scenario with a further 10% reduction in sales from October 2022 as the Group has certainty over its customer orders up to this point. We have also assumed some cost saving at a conservative level by reducing expected bonus payments to senior employees. A second downside scenario was performed which used the same assumptions but made consideration of the poor trading in April 2022 due to a lockdown in Shanghai which resulted in a significant number of orders being held at the port.
- A reverse stress test scenario updated our base case scenario with a further 22% reduction in sales and 3% reduction in gross margin from October 2022 which results in a covenant breach in June 2023. We also assumed some controllable cost saving by a reduction in employee expenses and removed discretionary CAPEX spending.

The Group's borrowings with HSBC, amounting to \$54.8m, contains three covenants; leverage ratio, cashflow cover and interest cover. Compliance on these covenants is based on 12 monthly rolling EBITDA results and 12 month rolling interest payments respectively. In June 2022, the Group successfully renegotiated an amendment to the covenants with HSBC whereby the required leverage ratio was increased to December 2022 and the lease on the new Norville factory is treated as a 10-year lease for the purposes of calculating the net debt figure used in the leverage ratio. This increased the headroom available to the business in response to adverse trading conditions in April 2022 as mentioned above that saw the headroom reduced. The cash available to the business means that the covenants are more sensitive than liquidity.

The Group has considered the reasonably plausible downside scenarios which are informed by the degree of headroom on covenants at December 2021 and March 2022 which were limited. These scenarios do not result in any covenant breach throughout the going concern period. The group mitigates this risk by having diverse delivery routes and has the ability to withstand further increases in freight costs. Because of the aggregate improvement in the past 12 months trading since COVID restrictions were lifted across the UK and Europe, we forecast that headroom will increase to 27.9% at the next covenant test in June 2022.

Further, the Group has considered the reverse stress test scenario, which models a breach in the leverage ratio covenant test in June 2023. In this case, the Directors have available the cost saving strategies that were implemented in 2020 that could be reintroduced with no support from the Government. However, such a scenario would see 2023 underlying EBITDA being less than half of that achieved in 2021, a year that was impacted by COVID-19 and when the Group had fewer revenue and profit generating entities. As a result, the directors consider that this scenario is a remote possibility.

On this basis and as outlined in the Director's report, the Board has reasonable expectations that the Group and Company has adequate resources to continue as a Going Concern to 31 December 2023.

Basis of consolidation

The consolidated financial information incorporates the Financial Statements of the Group and all of its material subsidiary undertakings. 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.

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

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

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

Investment in associate

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

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

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

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

Current and non-current classifications

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

An asset is considered current when it is:

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

Or

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

The Group classifies all other assets as non-current.

A liability is current when:

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

Or

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

The Group classifies all other liabilities as non-current.

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

Revenue recognition

Revenue from the sales of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue is recognised at the fair value of the consideration received or receivable for sale of goods to external customers in the ordinary nature of the business. The fair value of the consideration takes into account trade discounts, settlement discounts, volume rebates and the right of return.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

Rights of return

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

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

The Group includes within the liability arrangements where the Group has historically accepted a right to return with the combination of a credit being applied against amounts owed or where another product is offered in exchange. The Group estimates the impact of potential returns from customers based on historical data on returns. A refund liability is recognised for the goods that are expected to be returned (i.e. the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer, to the extent that these goods are not considered impaired.

Intangible assets (other than goodwill)

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

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

An intangible asset is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss.

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

Patents and licences	1–4 years
Computer software	3 years
Trademarks	5–10 years
Customer relationships	8–20 years
Customer order book	6 months

Property, plant and equipment

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

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

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

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

Construction in progress is not depreciated

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

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

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

Leases

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

Right-of-use asset

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

Leasehold Property	2–5 years
Plant and Machinery	3 years
Motor Vehicles	3 years

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable. They also include any amounts expected to be paid under residual value guarantees.

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

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

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

Inventories

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

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

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

Royalties

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

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 2021 and 31 December 2020, the Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition

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

Refinancing

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

Impairment of financial assets

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

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

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

Cash and cash equivalents

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

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

Classification of shares as debt or equity instruments

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

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

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

Share-based payments

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

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

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

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

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

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

Taxation

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

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

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

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

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

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

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

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

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

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

Foreign currencies

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

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

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

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

The functional currency of INSPECS Group plc is GBP. The functional currencies of certain overseas subsidiaries are currencies other than the GBP. At the end of the reporting period, the assets and liabilities of these entities are translated into GBP at the exchange rates prevailing at the end of the reporting period and their income statements are translated into GBP at the average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss. On translation to USD for presentation, the assets and liabilities of the consolidated entity are translated into USD at the exchange rates prevailing at the end of the reporting period, equity balances are translated at historic exchange rates and the income statement is translated into USD at the average exchange rates for the year.

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

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

Pensions and other post-employment benefits

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

Provisions

A provision is required when a present obligation (legal or constructive) has arisen as a result of a past event and it is probably that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period. Warranty provisions are held in relation to returns that are as a result of quality issues, whereby a replacement is provided to the customer free of charge.

Non-underlying items

Non-underlying items 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.

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 also provided. During the year, prior year errors have been identified in relation to the Eschenbach Group acquired in December 2020. These errors and the required adjustments are detailed below:

A: Prior year adjustment – Classification of cash and cash equivalents

Under IAS 7, cash and cash equivalents must be readily convertible to known amounts of cash. During the current period it has been determined that certain balances receivable under debt factoring arrangements within the Eschenbach Group are not readily convertible as at the year-end date (see note 18). A prior year adjustment has therefore been made to reclassify \$6,254,000 from cash and cash equivalents to trade and other receivables.

B: Prior year adjustment – Tura Inc. Prepayments and accruals

Under IAS 1 the Group accounts are prepared on an accruals basis. During 2021 it was identified that there were items held as prepayments which related to expenses incurred in the previous period. This resulted in trade and other receivables being overstated by \$716,000, trade and other payables being understated by \$7,000, goodwill being understated by \$552,000 and tax payable being overstated by \$171,000.

C: Prior year adjustment – Tura Inc. Right of return

Under IFRS 15 a right of return liability is recognised for the goods that are expected to be returned for a refund. This was incorrectly calculated excluding discounts and rebates, however the liability should reflect the amount to be refunded. A prior year adjustment has therefore been made to reduce the liability by \$945,000 and reducing the corresponding right of return asset by \$66,000. Deferred tax has been overstated by \$208,000, with goodwill overstated by \$671,000.

D: Prior year adjustment – Tura Inc. Inventory

In accordance with IAS 2 inventories should comprise all costs of purchase and other costs incurred in bringing inventories to their present location and condition. During the year errors were identified in relation to the treatment of freight costs and scrappage adjustments within inventory. A detailed review of inventory reconciliations was performed resulting in a reduction in inventory of \$1,132,000, an increase in goodwill of \$864,000 and a reduction in tax payable of \$268,000.

The above adjustments B to D all relate to before the acquisition date of Tura Inc. as part of the Eschenbach Group on 16 December 2020 and therefore there is no impact on the Consolidated Income Statement for the year ended 31 December 2020. These adjustments arose due to a lack of review processes in place at Tura Inc. prior to the acquisition, which have since been rectified.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

These prior year restatements have the following impact on the key Financial Statements as at 31 December 2020:

	31 December 2020 after PPA adjustments	Prior year adjustment	Restated 31 December 2020
	\$'000	\$'000	\$'000
BALANCE SHEET			
Non-current assets			
Goodwill	71,964	744	72,708
Deferred tax	12,995	(224)	12,771
Current assets			
Inventories	56,693	(1,198)	55,495
Trade and other receivables	35,648	5,538	41,186
Cash and cash equivalents	32,672	(6,254)	26,418
Non-current liabilities			
Deferred tax	24,694	(16)	24,678
Current liabilities			
Trade and other payables	42,895	7	42,902
Right of return liabilities	13,090	(945)	12,145
Tax payable	4,360	(440)	3,920
TOTAL NET ASSETS	145,827	-	145,827
STATEMENT OF CASH FLOWS			
Acquisition of subsidiaries, net of cash acquired	(101,821)	(6,254)	(108,075)
Increase in cash and cash equivalents	23,560	(6,254)	17,306
Cash and cash equivalents including overdraft at end of year	30,030	(6,254)	23,776

New and amended standards and interpretations

The following standards have been published and are mandatory for accounting periods beginning after 1 January 2022 but have not been early adopted by the Group or Company and could have an impact on the Group and Company Financial Statements:

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Amendments to IAS 1: Classification of Liabilities as Current or Non-current – Deferral of Effective Date – effective 1 January 2023.
- Amendments to IFRS 3: Business Combinations – Reference to the Conceptual Framework – effective 1 January 2022.
- Amendments to IAS 16: Property, Plant and Equipment – effective 1 January 2022.
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets – effective 1 January 2022.
- Annual Improvements to IFRS Standards 2018-2020 Cycle – 1 January 2022.

None of the 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.

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021 was \$81,359,000 (2020 restated: \$72,708,000). No provision for impairment of goodwill was made as at the end of the reporting period. See note 13 for further details.

Impairment of intangible assets

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting policies as disclosed in the Financial Statements. The recoverable amount is the higher of its fair value less costs of disposal and its value in use, the calculations of which involve the use of estimates about the future cash flows generated by each asset or the relevant cash-generating units to which the asset belongs. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details in relation to impairment tests completed in the current year are given in note 14.

Right of return liability

Management apply 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 \$11,100,000 (2020: \$12,145,000) with an offsetting right of return asset (held within inventory) of \$1,581,000 (2020 restated: \$1,493,000). If the provision were to increase by 5%, this would lead to an additional charge to the profit and loss of \$476,000, with it being considered that a movement in the right of return liability having an offsetting impact on the right of return asset.

Uncertain tax positions

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

As a result, the Group has identified that it is exposed to uncertain tax positions, which it has measured using an expected value methodology. Such methodologies require estimates to be made by management including the relative likelihood of each of the possible outcomes occurring, the periods over which the tax authorities may raise a challenge to the Group's transfer pricing or tax domicile arrangements; and the quantum of interest and penalties payable in additions to the underlying tax liability. The provision held in relation to uncertain tax liabilities as at 31 December 2021 is \$623,000 (2020: \$2,839,000). Further details are given in note 29.

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 have 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 28 for further details.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

4. Revenue

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

a) Geographical analysis

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

	2021 \$'000	2020 \$'000
United Kingdom	30,248	14,014
Europe (excluding UK)	121,930	14,097
North America	82,114	12,040
South America	517	450
Asia	3,281	4,032
Africa	3,034	–
Australia	5,347	2,782
	246,471	47,415

For the year ended 31 December 2021 the Group had no customers which accounted for more than 10% of the Group's revenue. For the year ended 31 December 2020 the Group had one customer which accounted for more than 10% of the Group's revenues, with the revenue generated from this customer amounting to \$9,483,000.

b) Right of return assets and liabilities

	2021 \$'000	2020 Restated \$'000
Right of return asset	1,581	1,493
Right of return liability	(11,100)	(12,145)

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

5. 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.

The reportable segments subject to disclosure are consistent with the organisational model adopted by the Group during the financial year ended 31 December 2021 and are as follows:

	Frames and Optics \$'000	Wholesale \$'000	Lenses \$'000	Total before adjustments & eliminations \$'000	Adjustments & eliminations \$'000	Total \$'000
Revenue						
External	211,527	27,437	7,507	246,471	–	246,471
Internal	3,438	4,664	90	8,192	(8,192)	–
	214,965	32,101	7,597	254,663	(8,192)	246,471
Cost of sales	(115,964)	(16,922)	(4,977)	(137,863)	7,164	(130,699)
Gross profit	99,001	15,179	2,620	116,800	(1,028)	115,772
Expenses	(84,672)	(6,857)	(4,797)	(96,326)	545	(95,781)
Depreciation	(5,669)	(1,209)	(552)	(7,430)	–	(7,430)
Amortisation and impairment	(6,386)	(4,632)	(2)	(11,020)	–	(11,020)
Operating profit/(loss)	2,274	2,481	(2,731)	2,024	(483)	1,541
Exchange adjustment on borrowings						(5,418)
Non-underlying costs						(2,588)
Finance costs						(2,775)
Finance income						118
Share of loss of associate						(10)
Taxation						3,697
Loss for the year						(5,435)
Total assets	436,102	75,568	13,986	525,656	(211,837)	313,819
Total liabilities	(327,303)	(7,444)	(10,813)	(345,560)	270,205	(75,355)
Deferred tax asset						12,540
Current tax liability						(2,780)
Deferred tax liability						(20,517)
Borrowings						(82,483)
Group net assets						145,224
Other disclosures						
Capital additions	2,471	1,300	3,874	7,645	–	7,645

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

The reportable segments subject to disclosure are consistent with the organisational model adopted by the Group during the financial year ended 31 December 2020 and are as follows (restated):

	Frames and Optics \$'000	Wholesale \$'000	Lenses \$'000	Total before adjustments & eliminations \$'000	Adjustments & eliminations \$'000	Total \$'000
Revenue						
External	21,259	21,979	4,177	47,415	–	47,415
Internal	2,204	2,381	59	4,644	(4,644)	–
	23,463	24,360	4,236	52,059	(4,644)	47,415
Cost of sales	(14,987)	(13,678)	(2,203)	(30,868)	3,975	(26,893)
Gross profit	8,476	10,682	2,033	21,191	(669)	20,522
Expenses	(12,898)	(5,594)	(1,634)	(20,126)	570	(19,556)
Depreciation	(636)	(1,422)	(241)	(2,299)	–	(2,299)
Amortisation	(514)	(1,093)	–	(1,607)	–	(1,607)
Operating (loss)/profit	(5,572)	2,573	158	(2,841)	(99)	(2,940)
Exchange adjustment on borrowings						(382)
Movement in derivatives						(740)
Non-underlying costs						(5,763)
Negative goodwill on bargain purchase						506
Finance costs						(1,880)
Finance income						36
Share of profit of associate						–
Taxation						2,250
Loss for the year						(8,913)
Total assets	400,982	72,021	7,409	480,412	(183,848)	296,564
Total liabilities	(303,805)	(6,809)	(6,185)	(316,799)	259,110	(57,689)
Deferred tax asset						12,771
Current tax liability						(3,920)
Deferred tax liability						(24,678)
Borrowings						(77,221)
Group net assets						145,827
Other disclosures						
Capital additions	203	1,864	736	2,803	–	2,803

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.

Non-current operating assets

	2021 \$'000	2020 Restated \$'000
United Kingdom	9,795	3,256
Europe	129,441	116,472
North America	4,589	10,686
Asia	36,580	41,441
	180,405	171,855

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

6. Business combinations

Acquisition of BoDe Design GmbH

BoDe Design GmbH was incorporated on 14 October 2021 with INSPECS Limited as its immediate Parent. On 6 December 2021 this entity acquired the partnership assets of BoDe Design Vertriebs GmbH & Co. KG, a limited partnership under German law for an initial cash consideration of \$1,987,000 with a further contingent consideration based on financial performance over the next three years.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of BoDe Design GmbH as at the date of acquisition were:

	Fair value recognised on acquisition \$000
Assets	
Property, plant and equipment	24
Intangible assets	1,813
Right-of-use asset	269
Cash and cash equivalents	33
Trade and other receivables	178
Inventories	919
Total identifiable assets at fair value	3,236
Liabilities	
Trade and other payables	1,010
Interest-bearing loans and borrowings	170
Overdraft	39
Lease liability	269
Income tax payable	109
Deferred tax liability	353
Total identifiable liabilities at fair value	1,950
Total identifiable net assets at fair value	1,286
Goodwill arising on acquisition	2,221
Purchase consideration transferred	
Initial purchase price	1,987
Contingent deferred consideration	1,520
Total consideration	3,507

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

From the date of acquisition, BoDe Design GmbH contributed \$75,000 of revenue and a loss of \$106,000 to the Group loss before tax from continuing operations. If the partnership assets of BoDe Design Vertriebs GmbH & Co. KG were acquired at the beginning of the year, revenue from continuing operations for the Group would have been \$250,216,000 and loss before tax from continuing operations for the Group would have been \$8,637,000.

Transaction costs of \$395,000 were expensed and are included within 'Non-underlying costs – Acquisitions'.

Acquisition of EGO Eyewear Limited

On 22 December 2021, INSPECS Limited acquired the entire share capital of EGO Eyewear Limited and its subsidiaries, for an initial cash consideration of \$8,251,000 with a further deferred consideration partly based on performance over the next three years.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of EGO Eyewear as at the date of acquisitions were:

	Fair value recognised on acquisition \$000
Assets	
Property, plant and equipment	1
Intangible assets	8,605
Right-of-use asset	142
Cash and cash equivalents	2,110
Trade and other receivables	3,213
Total identifiable assets at fair value	14,071
Liabilities	
Trade and other payables	3,824
Lease liability	135
Deferred tax liability	2,070
Total identifiable liabilities at fair value	6,029
Total identifiable net assets at fair value	8,042
Goodwill arising on acquisition	7,122
Purchase consideration transferred	
Initial purchase price	8,251
Deferred consideration	2,712
Contingent deferred consideration	4,201
Total consideration	15,164

From the date of acquisition, EGO Eyewear contributed \$163,000 of revenue and a loss of \$15,000 to loss before tax from continuing operations. If the combination had taken place at the beginning of the year, revenue from continuing operations for the Group would have been \$256,084,000 and loss before tax from continuing operations for the Group would have been \$7,234,000.

Transaction costs of \$881,000 were expensed and are included within 'Non-underlying costs – Acquisitions'.

Analysis of cash flows on acquisitions

The combined impact on cash flow of the two acquisitions made during the year was as follows:

	\$'000
Initial purchase price for BoDe Design GmbH	(1,987)
Initial purchase price for EGO Eyewear Limited	(8,251)
Acquired with BoDe Design GmbH:	
Cash and cash equivalents	33
Overdraft	(39)
Acquired with EGO Eyewear Limited:	
Cash and cash equivalents	2,110
Net cash flow on acquisition	(8,134)

Prior period business combinations

Acquisition of Eschenbach Holdings GmbH

On 16 December 2020, INSPECS Limited acquired the entire share capital of Eschenbach Holdings GmbH and its subsidiaries, for a cash consideration of \$115,496,000. Eschenbach held shareholder loans which were purchased at fair value, with the residual consideration for the remaining net assets of Eschenbach.

The initial accounting for the acquisition of Eschenbach Holdings GmbH had previously been provisionally determined and were based on a provisional assessment of the fair value of the assets and liabilities acquired. The information needed to assess the provision required against certain inventory categories was not available by the date the Financial Statements for 31 December 2020 were approved for issue by the Board of Directors. During 2021, the information needed to determine an appropriate estimate for this inventory provision was made available and an increase in the inventory provision was deemed required, therefore decreasing the fair value of inventory. The comparative statements as at 31 December 2020 were adjusted to reflect the new available information on the provisional amounts (see note 35). As a result, there was a decrease in inventories of \$2,258,000.

Information needed to assess the right of return liability and associated right of return asset for certain sales entities within the Eschenbach Group was not available by the date of approval of the Financial Statements for 31 December 2020. Further analysis has enabled this information to be obtained during 2021, with the resultant adjustments increasing the warranty provision by \$495,000, decreasing the right of return liability by \$229,000 and decreasing the right of return asset by \$344,000.

In addition, prior period adjustments have been identified relating to the acquisition balance sheet of Eschenbach Holdings GmbH, as discussed in note 2. These adjustments led to an increase in goodwill on acquisition to \$58,677,000, with the impact of these adjustments to the balance sheet as at 31 December 2020 shown in note 35 and the restated acquisition balance sheet shown below.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Eschenbach Holdings GmbH as at the date of acquisition is as follows:

	Fair value \$'000
Assets	
Property, plant and equipment	8,466
Intangible assets	39,407
Right-of-use asset	19,552
Cash and cash equivalents	13,118
Trade and other receivables	29,970
Tax receivable	2,452
Inventories	44,578
Deferred tax assets	8,952
Total identifiable assets at fair value	166,495
Liabilities	
Trade and other payables	43,954
Interest-bearing loans and borrowings	21,462
Overdraft	2,620
Lease liability	19,552
Income tax payable	905
Deferred tax liability	21,183
Total identifiable liabilities at fair value	109,676
Total identifiable net assets at fair value	56,819
Goodwill arising on acquisition	58,677
Purchase consideration transferred	115,496

7. Employees and Directors

	2021 \$'000	2020 \$'000
Included in cost of sales		
Wages and salaries	7,178	4,899
Social security costs	376	102
Pension costs	51	39
	7,605	5,040
Included in administration costs		
Wages and salaries	50,536	8,238
Social security costs	9,626	955
Pension costs	515	360
Share-based payment expense	1,484	1,706
	62,161	11,259
	69,766	16,299

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

	2021	2020
Administration	348	153
Selling and operations	411	72
Production	913	873
	1,672	1,098

Directors' remuneration during the year was as follows:

	2021 \$'000	2020 \$'000
Directors' salaries	811	455
Directors' pension contributions	35	33
Share options	373	159
	1,219	647

Information regarding the highest paid Director is as follows:

	2021 \$'000	2020 \$'000
Total remuneration	523	311

The number of Directors to whom employer pension contributions were made by the Group during year is 2 (2020: 2). This was in the form of a defined contribution pension scheme.

Further information about the remuneration of individual Directors is provided in the Remuneration and Nomination Committee Report on pages 76 to 78.

8. Non-underlying costs

Non-underlying items 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:

	2021 \$'000	2020 \$'000
Initial public offering	-	2,709
Acquisition costs	1,352	3,054
Other professional service costs	1,236	-
	2,588	5,763

Acquisition costs of \$395,000 and \$881,000 were incurred during the period relating to the purchase of BoDe Design GmbH and EGO Eyewear Limited respectively (see note 6). A further \$76,000 was incurred in relation to the acquisition of assets of Hardy Amies. Other professional service costs of \$1,236,000 relate to accounting transition and valuation following the acquisition of Eschenbach Holdings GmbH at the end of the prior year. Non-underlying costs incurred in the year to 31 December 2020 include \$2,709,000 relating to the listing of existing shares on to the AIM of the London Stock Exchange. An additional \$3,054,000 were incurred in relation to the acquisitions of Eschenbach Holdings GmbH and Norville (20/20) Limited.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

9. Finance costs and finance income

	2021 \$'000	2020 \$'000
Finance costs		
Bank loan interest	1,785	516
Other loan interest	–	39
Invoice discounting interest and charges	57	50
Loan transaction costs	477	1,249
Lease interest	456	26
Total finance costs	2,775	1,880
Finance income		
Interest receivable	118	36

10. Loss before income tax

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

	2021 \$'000	2020 \$'000
Cost of inventories recognised as expense	95,628	21,045
Short-term leases	486	83
Depreciation own assets (note 15)	3,423	1,539
Depreciation – Right-of-use assets (note 24)	4,007	760
Amortisation and impairment – Intangibles (note 14)	11,020	1,607
Restructuring costs	–	185
Post-acquisition insurance costs	–	563
Foreign exchange on funding for acquisitions	–	1,085
Other foreign exchange differences (gain)/loss	(1,171)	305
	2021 \$'000	2020 \$'000
Fees payable to the Company's auditor for audit services:		
Audit of the Company and Group accounts	574	929
Audit of the subsidiaries	830	310
Fees payable to the Company's auditor for non-audit services:		
Costs associated with IPO	–	285

The disclosure of the 2020 fees payable to the Company's auditor for audit services has been reapportioned.

11. Income tax

Analysis of tax expense

	2021 \$'000	2020 \$'000
Current tax:		
Current tax on profits for the year	1,618	24
Overseas current tax expense	469	208
Adjustment in respect of prior years	(128)	–
Total current tax	1,959	232
Deferred tax: (see note 28)		
Deferred tax income relating to the origination and reversal of timing differences	(4,430)	(2,478)
Effect of changes in tax rates	(1,122)	(4)
Adjustment in respect of prior years	(104)	–
Total deferred tax	(5,656)	(2,482)
Total tax credit reported in the consolidated income statement	(3,697)	(2,250)

Factors affecting the tax credit

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

	2021 \$'000	2020 \$'000
Loss before income tax	(9,132)	(11,163)
Loss multiplied by standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(1,735)	(2,121)
Effects of:		
Non-deductible expenses – Amortisation of intangible assets	853	184
Non-deductible expenses – Other expenses	517	1,622
(Decrease)/increase in provision for uncertain tax liabilities	(2,224)	381
Income taxed in nil rate regime	–	(404)
Share-based payment	(136)	(1,924)
Different tax rate for overseas subsidiaries	(1,313)	(84)
Transfer pricing adjustments	1,017	51
Tax rate changes	(1,122)	(4)
Income not taxable	–	(176)
Effects of Group relief	156	70
Amounts not recognised on deferred tax	520	155
Adjustments in respect of prior year	(230)	–
Tax credit	(3,697)	(2,250)

Income not taxable for tax purposes relates to income generated in jurisdictions within which there is a nil taxation rate. Movements in other comprehensive income relating to foreign exchange on consolidation are not taxable.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

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 2021 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 earnings per share is therefore \$(0.05) loss (2020: \$(0.13) loss), with diluted earnings per share \$(0.05) loss (2020: \$(0.13) loss).

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

	2021 \$'000	2020 \$'000
ORDINARY SHARES		
Loss attributable to the ordinary equity holders of the Parent for basic earnings	(5,435)	(8,913)

	Number of shares	Number of shares
Weighted average number of Ordinary Shares for basic EPS	101,309,670	69,227,355
Effect of dilution from:		
Share options	5,025,903	3,624,059
Weighted average number of Ordinary Shares adjusted for the effect of dilution where appropriate	106,335,573	72,851,414

Refer to note 20 for details in relation to the shares in issue and their rights.

13. Goodwill

	\$'000
COST	
At 1 January 2021	72,708
Additions	9,343
Exchange adjustment	(692)
At 31 December 2021	81,359

NET BOOK VALUE	
At 31 December 2021	81,359

	\$'000 Restated
COST	
At 1 January 2020	12,798
Additions	58,677
Exchange adjustment	1,233
At 31 December 2020	72,708

NET BOOK VALUE	
At 31 December 2020	72,708

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating unit of Twenty20 Limited (\$12,859,000 as at 31 December 2021), Eschenbach Group GmbH (\$58,792,000 as at 31 December 2021), INSPECS Limited (\$234,000 as at 31 December 2021), BoDe Design GmbH (\$2,265,000 as at 31 December 2021) and EGO Eyewear Limited (\$7,186,000 as at 31 December 2021) for impairment testing.

The recoverable amount of each cash-generating unit has been determined based on individual value in use calculations using cash flow projections covering a five-year period approved by senior management. The forecasts for 2022 have been prepared based on Board approved budgets for 2022. Financial years 2023 to 2026 were forecasted assuming a 7% increase in turnover based on synergies within the expanding Group of companies. Management have assumed a constant gross profit margin and increased administration expenses by 5% per annum. From 2027 onwards we have assumed a 2% terminal growth rate. These assumptions have been used across all CGUs, with management considering that each CGU has similar potential for growth in the market in which it operates. In addition, no major changes have occurred in the existing political, legal and economic conditions in those locations in which each cash-generating unit operates (see also note 33).

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 cashflow 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 have concluded that the impact of climate change would not be expected to trigger an impairment.

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

Twenty20 Limited

The discount rate applied to the cash flow projections was 8.2% plus a 2.5% Company specific risk premium. Based on management's assessment there is no impairment adjustment required on goodwill.

To recognise an impairment provision, the discount rate would have to exceed 36.0%.

To recognise an impairment provision the cash flow into perpetuity would need to be discounted by 52.3% with the applicable discount rate for the five-year period to 2026 remaining at 10.7%.

INSPECS Limited

The discount rate applied to the cash flow projections was 7.3%. Based on management's assessment there is no impairment adjustment required on goodwill.

To recognise an impairment provision, the discount rate would have to exceed 633.9%.

Eschenbach Holdings GmbH

The discount rate applied to the cash flow projections was 7.1%. Based on management's assessment there is no impairment adjustment required on goodwill.

To recognise an impairment provision the cash flow into perpetuity would need to be discounted by 29.5% with the applicable discount rate for the five-year period to 2026 remaining at 7.1%.

To recognise an impairment on discount rate alone, the rate would need to increase to 23.7%.

BoDe Design GmbH

The discount rate applied to the cash flow projections was 7.1% plus a 2.5% Company specific risk premium. Based on management's assessment there is no impairment adjustment required on goodwill.

To recognise an impairment provision, the discount rate would have to exceed 33.8%.

To recognise an impairment provision the cash flow into perpetuity would need to be discounted by 66.9% with the applicable discount rate for the five-year period to 2026 remaining at 9.6%.

EGO Eyewear Limited

The discount rate applied to the cash flow projections was 7.1% plus a 2.5% Company specific risk premium. Based on management's assessment there is no impairment adjustment required on goodwill.

To recognise an impairment provision, the discount rate would have to exceed 13.8%.

To recognise an impairment provision the cash flow into perpetuity would need to be discounted by 14.4% with the applicable discount rate for the five-year period to 2026 remaining at 9.6%.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

14. Intangible assets

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

	Patents and licences \$'000	Customer relationships \$'000	Trademarks \$'000	Customer order book \$'000	Computer software \$'000	Totals \$'000
COST						
At 1 January 2020	233	19,909	–	1,582	705	22,429
Acquisition of a subsidiary	11	18,849	18,637	68	1,842	39,407
Additions	92	–	–	–	75	167
Disposals	–	–	–	(1,640)	–	(1,640)
Exchange differences	(14)	2,516	151	58	28	2,739
At 31 December 2020	322	41,274	18,788	68	2,650	63,102
AMORTISATION						
At 1 January 2020	128	2,904	–	1,582	333	4,947
Amortisation for the year	59	1,127	291	5	125	1,607
Disposals	–	–	–	(1,640)	–	(1,640)
Exchange differences	(7)	1,818	19	58	(5)	1,883
At 31 December 2020	180	5,849	310	5	453	6,797
NET BOOK VALUE						
At 31 December 2020	142	35,425	18,478	63	2,197	56,305

The individual intangible assets, excluding goodwill, which are material to the Financial Statements are:

Intangible asset	2021		2020	
	\$'000	Remaining amortisation period (years)	\$'000	Remaining amortisation period (years)
Customer relationships	36,847	Between 1 and 15	35,425	Between 10 and 16

Impairment review of individual customer relationship

During the period, an indicator of impairment was noted relating to a customer relationship with a carrying value of \$3,700,000 as at 31 December 2021. As a result, an impairment review was completed to compare the recoverable amount of the asset against its carrying value. Following this review, the Directors consider that an impairment of \$3,453,000 was required, leaving a balance of \$247,000 against this customer relationship.

Acquisition of a subsidiary

For each acquisition, an exercise to value the net assets and apportion the consideration paid has taken place, with the determined balances recognised within these Financial Statements. We engaged external consultants to assist in the valuation of the intangible assets, which have been valued using the income method. Adjustments to provisional fair values are made up to 12 months from the original acquisition date with any revisions asset or liability values being adjusted through goodwill. Goodwill represents the value of the accumulated workforces and synergies expected to be realised following the acquisition.

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

	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 2020	6,484	398	6,433	278	745	163	14,501
Acquisition of a subsidiary	3,695	523	3,040	2,989	150	–	10,397
Additions	39	6	1,186	8	182	1,046	2,467
Disposals	–	(82)	(187)	(40)	(14)	–	(323)
Exchange differences	372	17	357	34	39	73	892
At 31 December 2020	10,590	862	10,829	3,269	1,102	1,282	27,934
DEPRECIATION							
At 1 January 2020	348	210	2,870	217	536	–	4,181
Charge for the year	209	68	1,131	32	99	–	1,539
Eliminated on disposals	–	(82)	(187)	(40)	(14)	–	(323)
Exchange differences	12	4	33	10	18	–	77
At 31 December 2020	569	200	3,847	219	639	–	5,474
NET BOOK VALUE							
At 31 December 2020	10,021	662	6,982	3,050	463	1,282	22,460

16. Investments in associate

	Interest in associate \$'000
Share of net assets of associate	
COST	
At 1 January 2021	57
Share of profit	(10)
Exchange difference	1
At 31 December 2021	48
NET BOOK VALUE	
At 31 December 2021	48

	\$'000
Revenue	456
Expenses	(495)
Loss before tax	(39)
Income tax	–
Share of loss of associate for the year ended 31 December 2021	(10)

The Group's associated undertaking is 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.

17. Inventories

	2021 \$'000	2020 Restated \$'000
Raw materials	4,068	5,102
Work in progress	3,812	2,646
Finished goods	47,784	47,747
	55,664	55,495

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

	2021 \$'000	2020 Restated \$'000
Finished goods – Right of return asset	1,581	1,493

Inventories are stated after provisions for impairment of \$9,646,000 (2020: \$9,153,000). The prior year comparative has been restated to include the increased stock provision as referenced in note 6.

18. Trade and other receivables

	2021 \$'000	2020 Restated \$'000
Current:		
Trade receivables	29,362	25,149
Prepayments	3,396	5,703
Other receivables	9,471	10,334
	42,229	41,186

Part of the Group uses an invoice factoring facility to prefinance certain trade receivables and assist with trade receivables collection. Other receivables include \$7,097,000 (2020 restated: \$8,209,000) 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. At the comparative year-end, this balance was incorrectly classified as cash, therefore a prior year adjustment has been recorded (see notes 2 and 36). 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:

	2021 \$'000	2020 \$'000
Invoiced in last month	18,404	11,787
1–2 months	6,616	6,948
2–3 months	2,113	4,069
Over 3 months	2,229	2,345
	29,362	25,149

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

	2021 \$'000	2020 \$'000
At 1 January	556	19
Acquired with acquisition of subsidiary	–	520
Movement in the year	36	20
Exchange adjustment	(37)	(3)
At 31 December	555	556

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group's large retail chain customers order on purchase orders which are paid within 30 to 60 days and the remaining customer base is well diversified and hence there is considered to be no significant credit risk. Acquisitions during the current and comparative year have further diversified the reliance on major customers and therefore have further mitigated credit risk. Trade receivables are non-interest-bearing and are stated net of loss allowance.

Impairment under IFRS 9

An impairment analysis is performed at each reporting date to measure expected credit losses. The provision rates are based on days past due for groupings of customer segments with similar loss patterns (i.e. by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

19. Cash and cash equivalents

	2021 \$'000	2020 Restated \$'000
Cash at bank and in hand	29,759	26,418
	29,759	26,418

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ('RMB') amounted to \$2,738,000 (2020: \$2,879,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through a bank authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2021 \$'000	2020 Restated \$'000
Cash at bank and in hand	29,759	26,418
Bank overdrafts	-	(2,642)
	29,759	23,776

20. Called up share capital

Authorised and issued share capital:

Number:	Class:	Nominal value	2021 \$'000	2020 \$'000
101,671,525 (2020: 101,290,898)	Ordinary	£0.01	1,389	1,384
			1,389	1,384

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

A further 380,627 shares have been created during the year as a result of the exercise of share options.

21. Reserves

Share premium

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

	2021 \$'000	2020 \$'000
At 1 January	121,940	21,628
Share for share exchange	–	(21,628)
Issue of shares to third parties on initial public offering	–	30,659
Issue of shares to PE investors on initial public offering (note 30)	–	4,452
Issue of shares on secondary placing	–	84,104
Exercise of share options	351	2,725
At 31 December	122,291	121,940

Foreign currency translation reserve

This reserve records the foreign currency translation adjustment on consolidation.

	2021 \$'000	2020 Restated \$'000
At 1 January	(89)	1,031
Share for share exchange	–	(926)
Other comprehensive income	2,907	(194)
At 31 December	2,818	(89)

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.

	2021 \$'000	2020 \$'000
At 1 January	867	2,840
Share for share exchange	–	34
Share-based payment charge	1,484	1,133
Exercise of share options	(437)	(2,973)
Deferred tax on share options (note 28)	87	(167)
At 31 December	2,001	867

The share-based payment charge for the year is recognised against the reserve as per IFRS 2 Share-Based Payments.

Share options exercised in the period include both cash settled (resulting in the issue of 274,730 shares) and net settled (resulting in the issue of 105,897 shares). The cash settled share options resulted in an increase in share capital of \$4,000 and share premium of \$351,000.

As options have been exercised during the year, the reserve relating to these options has been released to retained earnings, with a further \$87,000 (2020: \$167,000) relocated against the deferred tax asset held in relation to the options exercised.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

Merger reserve

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

	2021 \$'000	2020 \$'000
At 1 January	7,296	–
Issue of share capital	–	(22)
Share for share exchange and creation of merger reserve	–	68,802
Capital reduction	–	(61,484)
At 31 December	7,296	7,296

22. Trade and other payables

	2021 \$'000	2020 Restated \$'000
Current:		
Trade payables	32,801	22,404
Amounts owed to related parties	196	169
Other payables	934	1,510
Social security and other taxes	5,776	5,422
Royalties	4,435	5,865
Accruals	9,175	7,532
	53,317	42,902

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.

23. Financial liabilities – borrowings

	2021 \$'000	2020 \$'000
Current:		
Bank overdraft	–	2,642
Invoice discounting	2,433	–
Bank loans	9,979	3,855
Lease liabilities	3,310	2,975
	13,289	6,830
	2021 \$'000	2020 \$'000
Non-current:		
Bank loans	50,113	53,092
Lease liabilities	19,081	17,299
	69,194	70,391

At the balance sheet date, the available invoice discounting facility was \$1,621,000 (2020: \$3,000,000). The invoice discounting facility bears interest at 2.00% over base rate throughout 2021 (2020: 1.85%). The invoice discounting facility is secured by way of fixed and floating charges over the trade receivables of INSPECS Limited. The facility has no fixed end date, with a notice period of three months.

On 27 October 2021, the Group entered a new multi-currency term loan with HSBC for \$18,700,000. Repayments under this loan are \$900,000 per quarter plus interest. Interest is payable at the applicable Margin Rate plus LIBOR calculated daily on a 360-day year basis. The Margin Rate is 1.90%, 2.15% or 2.40% dependent upon the Group's leverage ratio. On 22 December 2021, the Group entered into an additional \$10,000,000 revolving credit facility, with the balance drawn down under this arrangement as at 31 December 2021 being \$6,000,000. Interest is payable at LIBOR plus 2.25% calculated daily on a 360-day year basis. The arrangement is subject to annual renewal by the bank and therefore the balance is shown as a current liability.

This facility is in addition to the \$35,000,000 available revolving credit facility, which was increased by a further \$1,500,000 on 27 October 2021 to \$36,500,000. The balance drawn down under this arrangement as at 31 December 2021 is \$35,302,000. 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 arrangement expires in January 2023.

An arrangement fee of \$768,000 was payable on this refinancing. The additional financing received during the period allowed the consolidation of loans from across the Group, with repayments of loans made in particular within the Eschenbach part of the business.

Remaining loans in the Group are at 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.

24. Right-of-use assets and leases

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

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

	Leasehold properties \$'000	Plant & machinery \$'000	Motor vehicles \$'000	Total \$'000
COST				
At 1 January 2020	2,953	38	222	3,213
Acquisition of a subsidiary	17,550	674	1,328	19,552
Additions	114	–	28	142
End of lease	(1,251)	–	(84)	(1,335)
Exchange differences	190	6	23	219
At 31 December 2020	19,556	718	1,517	21,791
DEPRECIATION				
At 1 January 2020	1,839	25	32	1,896
Charge for the year	664	5	91	760
Eliminated on end of lease	(1,251)	–	(84)	(1,335)
Exchange differences	79	1	11	91
At 31 December 2020	1,331	31	50	1,412
NET BOOK VALUE				
At 31 December 2020	18,225	687	1,467	20,379

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

	2021 \$'000	2020 \$'000
At 1 January	20,274	1,229
Acquisition of a subsidiary	411	19,552
Additions	6,822	142
Interest charge	456	26
Payments	(4,224)	(810)
Reduction in lease terms	–	(44)
Exchange adjustment	(1,348)	179
As at 31 December	22,391	20,274
Current	3,310	2,975
Non-current	19,081	17,299

25. Changes in liabilities from financing activities

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

Balances at the end of each reporting period are summarised in note 23, with balances above being shown under interest-bearing loans and borrowings on the balance sheet.

	1 January 2020 \$'000	New loans \$'000	Repayments \$'000	Reclassification between current and non-current \$'000	Transaction costs on debt refinancing \$'000	New leases \$'000	Acquired on acquisition of subsidiary \$'000	Foreign exchange on consolidation \$'000	31 December 2020 \$'000
Due in one year									
Bank loans	(4,228)	–	39	5,357	(1,249)	–	(3,771)	(3)	(3,855)
Lease liabilities	(746)	–	810	(257)	–	–	(2,714)	(68)	(2,975)
Invoice discounting facility	(2,577)	–	2,577	–	–	–	–	–	–
Due after one year									
Bank loans	(12,168)	(17,187)	–	(5,357)	–	–	(17,691)	(689)	(53,092)
Lease liabilities	(483)	–	–	257	–	(98)	(16,838)	(137)	(17,299)
Total liabilities from financing activities	(20,202)	(17,187)	3,426	–	(1,249)	(98)	(41,014)	(897)	(77,221)

Balances at the end of each reporting period are summarised in note 23, with balances above being shown under interest-bearing loans and borrowings on the balance sheet.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

26. 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	2021 \$'000	2020 \$'000
Loss before income tax		(9,132)	(11,163)
Adjustments for:			
Depreciation	15,24	7,430	2,299
Amortisation and impairment of intangible assets	14	11,020	1,607
Share of loss of associate	16	10	–
Gain on bargain purchase		–	(506)
Share-based payment	32	1,484	1,706
Movement in fair value of derivatives		–	740
Exchange adjustment on borrowings	33	5,418	382
Exchange adjustment on trading	10	(1,171)	–
Finance costs	9	2,775	1,880
Finance income	9	(118)	(36)
Changes in working capital			
(Increase)/decrease in inventories	6,17	149	648
Decrease in trade and other receivables	6,18	1,923	3,005
Increase/(decrease) in trade and other payables	6,22	5,107	(159)
Cash flows from operating activities		24,895	403

27. Contingent and deferred consideration

Contingent and deferred considerations payable relate to the acquisitions of BoDe Design GmbH and EGO Eyewear Limited (see note 6). In relation to BoDe Design GmbH, the full balance of \$1,529,000 is contingent based on the performance of the entity each year until the end of 2025. In relation to EGO Eyewear Limited, \$2,747,000 is deferred consideration payable in equal instalments in 2023, 2024 and 2025. The remaining balance is contingent based on the performance of the entity each year until the end of 2024. The split of the contingent and deferred consideration between each entity is as follows:

	2021 \$'000	2020 \$'000
BoDe Design GmbH	1,529	–
EGO Eyewear Limited	6,976	–
	8,505	–

28. Deferred tax

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

	Deferred tax asset Restated \$'000	Deferred tax liability Restated \$'000	Total Restated \$'000
On 1 January 2020	1,221	(2,917)	(1,696)
Acquired on acquisition of subsidiary	8,952	(21,182)	(12,230)
Credit/(charge) for the year:			
Losses in the year	3,043	–	3,043
Temporary timing differences	(551)	–	(551)
Gain on bargain purchase	–	(486)	(486)
Other	(3)	265	262
Deferred tax credit/(charge) to profit and loss	2,489	(221)	2,268
Deferred tax charge to share option reserve	(167)	–	(167)
Exchange adjustment	276	(358)	(82)
On 31 December 2020	12,771	(24,678)	(11,907)

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

	2021 \$'000	2020 Restated \$'000
Unused trade losses	4,144	3,448
Right of return liability	1,178	2,197
Lease liability	5,106	6,182
Other short-term differences	2,112	944
Total deferred tax asset	12,540	12,771

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

	2021	2020
	\$'000	Restated \$'000
Right of use asset	(5,056)	(6,032)
Right of return asset	(362)	(508)
Intangible assets	(11,937)	(12,991)
Inventory	(1,324)	(2,438)
Property, plant and equipment	(1,586)	(1,882)
Other short-term differences	(252)	(827)
Total deferred tax liability	(20,517)	(24,678)

In addition to the deferred tax assets and liabilities recognised, the Group has tax losses that arose in a subsidiary of \$1,692,000 (2020: \$1,150,000) that are available indefinitely for offsetting against future taxable profits of the Company in which the losses arose. A deferred tax asset has not been recognised in respect of these losses as these losses may not be used to offset against taxable profits elsewhere in the Group and there is no evidence of these losses being utilised by the subsidiary in the future.

If the Group were able to recognise all unrecognised deferred tax assets, the loss would decrease by \$332,000 (2020: \$219,000).

29. Tax payable

	2021	2020
	\$'000	Restated \$'000
Corporation tax payable	2,157	1,081
Uncertain tax liabilities	623	2,839
	2,780	3,920

The Group has identified it is exposed to uncertain tax positions in relation to tax authorities challenging that local subsidiaries are not being remunerated under historical transfer pricing arrangements or that the Group has created a taxable presence and asset taxing rights over profits they consider to be allocable in the given territory. The Group considers that it is possible that these uncertain tax positions will result in a future outflow of funds to one or more local tax authorities and has recognised current tax liabilities for these uncertainties.

As discussed in the 2020 Annual Report, during 2021 a further transfer pricing review was undertaken by external advisors. Following this review, part of the uncertain tax provision amounting to \$2,216,000 has been released, as the possibility of an outflow relating to this provision is now considered remote.

During 2022 a further review of uncertain tax provisions is being carried out in relation to the remaining balance of \$623,000.

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 transfer pricing or tax domicile arrangements; and (iii) the quantum of interest and penalties that would be applicable in the event that the Group was found to be liable for tax amounts by one or more tax authorities. If the probability of tax liabilities crystallising is increased by 5%, the provision against uncertain tax liabilities increases to \$740,000. If the probability of tax liabilities crystallising is decreased by 5%, the provision against uncertain tax liabilities decreases to \$506,000.

It is reasonably possible, on the basis of the Directors' existing knowledge, that different outcomes to the assumptions set out above, within the next financial year, could require a material adjustment to the carrying amount of the uncertain tax liabilities.

30. Derivatives

On 9 February 2017, options over C Ordinary Shares in INSPECS Holdings Limited were issued to private equity investors. These options were exercisable upon (i) the completion of a relevant exit event, including an initial public offering; and (ii) cumulative returns to the private equity investors on their B Ordinary Shares being below a minimum return amount prescribed in the option agreement. These options were considered to meet the definition of a derivative over the Group's own equity instruments and were recognised as a financial liability measured at fair value through profit or loss due to the variable number of C Ordinary Shares that could be issued.

As part of the share for share exchange on 10 January 2020, these options were exchanged for options over Ordinary Shares in INSPECS Group plc, with the corresponding derivative liability held over these options novated to INSPECS Group plc. On 27 February 2020, these options were exercised with the derivative being revalued at this date to reflect the fair value of options being exercised before the derivative itself was then utilised. This revaluation gave rise to the \$740,000 charge recognised through the Income Statement during the year ended 31 December 2020.

Movements in the derivative during the current and comparative year are shown below:

	\$'000
Novated to INSPECS Group plc on 10 January 2020	(3,536)
Revaluation of derivative on 27 February 2020	(740)
Foreign exchange movement	(176)
Derivative utilised on exercise of options	4,452
Derivative held as at 31 December 2020 and 2021	–

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 2021, a right-of-use asset with net book value of \$319,000 (2020: \$127,000) and lease liability of \$320,000 (2020: \$124,000) related to this lease, with depreciation of \$174,000 (2020: \$152,000) and interest of \$10,000 (2020: \$6,000) charged to the income statement. At the year-end, the Group owed Kelso Place LLP \$205,000 (2020: \$169,000) in respect of the above.

b) Thorne Lancaster Parker

Mr C D Kay, a Director of the Company is also a Partner in Thorne Lancaster Parker. During the year the partnership charged INSPECS Limited \$53,000 (2020: \$65,000) in respect of professional services provided. On 31 December 2021, INSPECS Limited owed Thorne Lancaster Parker \$nil (2020: \$nil) in respect of the above. During the year the partnership charged Norville (20/20) Limited \$14,000 (2020: \$7,000) in respect of professional services provided, with \$4,000 being owed at the end of the year (2020: \$nil). This balance included within trade payables

c) Farm Street Partners

C M J Hancock is a partner of Farm Street Partners which charged the Group monitoring fees of \$nil (2020: \$13,000) during the year. No balance was outstanding at 31 December 2021 (2020: \$nil). The charge for 2020 related to fees prior to C M J Hancock becoming a Director of INSPECS Group plc.

d) BXS Projects Limited

A Farrugia is a Director of BXS Projects Limited which charged the Group \$nil (2020: \$10,000). No balance was outstanding at 31 December 2021 (2020: \$nil). The charge for 2020 related to fees prior to A Farrugia becoming a Director of INSPECS Group plc.

e) Key management personnel

The key management personnel of INSPECS Group plc at 31 December 2021 are R B C Totterman and C D Kay. The total employee benefits payable in the period were \$328,000 (2020: \$189,000) and \$292,000 (2020: \$152,000) respectively. In addition, share-based payments totalled \$287,000 (2020: \$159,000) in relation to these individuals.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

32. Share-based payments

Certain employees of the Group have been granted options over the shares in INSPECS Group plc. The options are granted with a fixed exercise price and are exercisable between three and ten years after the date of grant.

The Company recognises a share-based payment expense based on the fair value of the awards granted, and an equivalent credit directly in equity to the share option reserve. On exercise of the shares by the employees, the Company is charged the intrinsic value of the shares by INSPECS Group plc and this amount is treated as a reduction of the capital contribution recognised directly in equity. Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price per option \$	Number of share options
11 October 2019	1 July 2022	1.27	412,102
27 February 2020	27 February 2025	2.52	1,923,110
22 December 2020	22 December 2025	2.87	1,460,000
26 February 2021	26 February 2026	2.93	100,000
26 February 2021	26 February 2026	4.53	641,036
21 June 2021	21 June 2026	4.87	90,000
31 August 2021	31 August 2026	5.09	275,000
23 December 2021	23 December 2026	4.95	454,999

The option weighted average exercise price is \$3.14 per share. Options were valued at the date of grant.

The expense recognised for employee services received during the year is shown in the following table:

	2021 \$'000	2020 \$'000
Expense arising from equity-settled share-based payment transactions	1,484	1,133
Taxes charged to the Group in respect of options exercised	-	573
Total expenses arising from share-based payment transactions	1,484	1,706

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 2021	Number 2020
At 1 January	4,327,307	58,965
Granted as part of share for share exchange	-	8,054,558
Granted during the year	1,561,035	3,503,110
Exercised during the year	(412,095)	(7,275,589)
Forfeited during the year	(120,000)	(13,737)
As at 31 December	5,356,247	4,327,307

WAEP	2021 \$	2020 \$
At 1 January	2.41	67.46
Share for share exchange	-	(66.07)
Granted during the year	4.67	1.44
Exercised during the year	(1.27)	(0.39)
Forfeited during the year	(2.67)	(0.03)
As at 31 December	3.14	2.41

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

	Options granted 26 February 2021	Options granted 21 June 2021	Options granted 31 August 2021	Options granted 23 December 2021
Number of options in issue as at 31 December 2021	741,036	90,000	275,000	454,999
Dividend yield (%)	1.0%	1.0%	1.0%	1.0%
Expected volatility	28.9%	28.3%	28.2%	27.6%
Risk-free interest rate	0.31%	0.41%	0.31%	0.76%
Exercise price	\$2.93 and \$4.53	\$4.87	\$5.09	\$4.95
Ordinary Share price at grant date	\$2.93	\$4.87	\$5.09	\$4.95
Expected life of share options/SARs (years)	5 years	5 years	5 years	5 years
Model used	Black Scholes option analysis			

The determination of the risk-free interest rate has been based on the UK Sovereign Curve for each grant made during 2021.

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 relate primarily to the Group's long-term debt obligations with floating interest rates.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonable possible change in interest rates on that 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 loan to the bank as at 31 December 2021:

	Loan balance \$'000	Increase/decrease in basis points	Effect on loss before tax \$'000
2021	59,803	50 BP	299
2020	56,947	50 BP	285

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates to both the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's borrowing (both internal and external) when held in a different currency to the functional currency of the Company in which they are held.

The Group manages its foreign currency risk by selling and buying in the same currencies where possible but does not enter into any material hedging transactions or derivatives. The ability of the Group to organise its sales and purchases in similar currencies allows a natural hedge in some circumstances against currency fluctuations.

Exchange adjustments on borrowings has resulted in a charge to the profit and loss account of \$5,418,000 (2020: \$382,000). Following the acquisition of Eschenbach Holdings GmbH in December 2020, INSPECS Limited acquired the shareholder loans of Eschenbach which are denominated in Euros. The functional currency of INSPECS Limited is GBP, with a loss on foreign exchange on this loan recognised of \$5,580,000 during the year before this loan was converted to equity in December 2021. This is offset by gains on foreign exchange in relation to intercompany loans denominated in other currencies and external financing giving the total foreign exchange on borrowings of \$5,418,000 for the year.

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 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.

2021	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in loss before tax \$
If the GBP weakens against the USD	5	21,000
If the GBP strengthens against the USD	(5)	(21,000)
If the GBP weakens against the EUR	5	(51,000)
If the GBP strengthens against the EUR	(5)	51,000
If the GBP weakens against the MOP	5	(356,000)
If the GBP strengthens against the MOP	(5)	356,000

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.

	2021 \$'000	2020 \$'000	Increase/ (decrease) \$'000
Trade receivables			
Current	21,822	16,584	5,238
Past due 1-30 days	4,225	3,904	321
Past due 31-60 days	1,186	3,330	(2,144)
Past due 61+ days	2,129	1,331	798
Total	29,362	25,149	4,213
Percentage over terms	26%	34%	

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 2021 accounted for 9% of cost of sales (2020: 32%), with the reduction in this risk due to the acquisitions made during 2020 and 2021. This risk is further mitigated by the use of different suppliers and the diversification of production locations across the Group. The risk of inflation may lead 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 any margins through an increase in its selling price.

Cash deposits

The Group invests its excess cash in either weekly or monthly deposits with either HSBC or OCBC. The Group considers these deposits to carry a very low risk and typically return an interest rate of around 0.5%.

Liquidity risk

For the management of the liquidity risk, the Group monitors and maintains a sufficient level of cash and bank balances deemed adequate by management, along with utilising an invoice discounting facility, to finance the Group's operations and mitigate the effects of fluctuation in cash flows. Management reviews and monitors its working capital requirements regularly. The Group reviews on a monthly basis the cash generation and the requirement for capital repayments on the bank loan in its detailed working capital model to ensure sufficient liquidity for operating purposes across the Group. The table below summarises the gross undiscounted cash flows of the Group's financial liabilities:

	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Bank overdrafts (including invoice discounting facility)	2,433	–	–	–	2,433
Interest-bearing loans and borrowings (excluding items below)	10,567	3,862	47,768	–	62,197
Lease liabilities	3,492	2,859	9,851	6,553	22,755
Other financial liabilities – right of return	11,110	–	–	–	11,110
Other financial liabilities – contingent and deferred consideration	–	2,708	5,797	–	8,505
Trade and other payables	53,317	–	–	–	53,317

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:

	2021		2020	
	Actual	Required	Actual	Required
Leverage	1.9	Below 2.0	1.6	Below 2.5
Interest cover	12.3	Above 4.0	17.1	Above 4.0

Political risk

Political uncertainty or instability can lead to reduced customer demand or supply chain issues when impacting a country or countries with which material trade is completed. The current events impacting Russia and Ukraine are not expected to have a material impact on the Group, with no sales made to Russia, and sales to Ukraine being not significant to the Group. The impact on supply chains is also not considered significant, with alternative supply chain routes available where required.

34. Contingent liabilities

The Company's UK subsidiary Alpha Group Limited (registered number 03240950) has taken advantage of the audit exemption under section 479A of the Companies Act 2006 for the year ended 31 December 2021. Consequently, the Company has provided the statutory guarantee in relation to the subsidiary's liabilities. The third-party liabilities of the subsidiary as of 31 December 2021 amounted to \$1,000 (2020: \$63,000).

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2021

35. Prior year adjustment and purchase price allocation adjustment

Prior year adjustments were required as discussed in note 2. In addition, the balance sheet as at 31 December 2020 has been restated to include the impact of adjustments to the acquisition balance sheet of Eschenbach Group GmbH, as discussed in note 6. The Group reconciliation of equity as at 31 December 2020 is shown below:

	31 December 2020 \$'000	Eschenbach acquisition balance sheet adjustment \$'000	Note	Adjusted \$'000	Prior year adjustments \$'000	Note	Restated 31 December 2020 \$'000
ASSETS							
Non-current assets							
Goodwill	69,087	2,877	A	71,964	744	B	72,708
Intangible assets	56,305	–		56,305	–		56,305
Property, plant and equipment	22,460	–		22,460	–		22,460
Right-of-use asset	20,379	–		20,379	–		20,379
Investment in associate	57	–		57	–		57
Deferred tax	12,995	–		12,995	(224)	B	12,771
	181,283	2,877		184,160	520		184,680
Current assets							
Inventories	59,294	(2,601)	A	56,693	(1,198)	B	55,495
Trade and other receivables	35,648	–		35,648	5,538	B	41,186
Tax receivable	1,556	–		1,556	–		1,556
Cash and cash equivalents	32,672	–		32,672	(6,254)	B	26,418
	129,170	(2,601)		126,569	(1,914)		124,655
Total assets	310,453	276		310,729	(1,394)		309,335
EQUITY							
Called up share capital	1,384	–		1,384	–		1,384
Share premium	121,940	–		121,940	–		121,940
Foreign currency translation reserve	(99)	10	A	(89)	–		(89)
Share option reserve	867	–		867	–		867
Merger reserve	7,296	–		7,296	–		7,296
Retained earnings	14,429	–		14,429	–		14,429
Total equity	145,817	10		145,827	–		145,827
LIABILITIES							
Non-current liabilities							
Financial liabilities – borrowings	70,391	–		70,391	–		70,391
Deferred tax	24,694	–		24,694	(16)	B	24,678
	95,085	–		95,085	(16)		95,069
Current liabilities							
Trade and other payables	42,895	–		42,895	7	B	42,902
Right of return liabilities	12,824	266	A	13,090	(945)	B	12,145
Financial liabilities - borrowings	6,830	–		6,830	–		6,830
Overdraft	2,642	–		2,642	–		2,642
Tax payable	4,360	–		4,360	(440)	B	3,920
	69,551	266		69,817	(1,378)		68,439
Total liabilities	164,636	266		164,902	(1,394)		163,508
Total equity and liabilities	310,453	276		310,729	(1,394)		309,335

A: Eschenbach acquisition balance sheet adjustment

Following the acquisition of Eschenbach Holdings GmbH, the assets and liabilities acquired and the goodwill arising were provisionally determined for the Financial Statements as of 31 December 2020. During the year, this has been finalised (see note 6) with the impact of the required adjustment on the balance sheet as at 31 December 2020 shown above. This results in an increase in goodwill of \$2,877,000, a decrease in inventories (following an increase in inventory provisioning) of \$2,601,000 and an increase in right of return liabilities of \$266,000 with the movement in foreign exchange rates between the date of acquisition and the year-end resulting in a movement through the foreign currency translation reserve of \$10,000.

B: Prior year adjustments

Refer to note 2.

36. Post balance sheet events

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

Company Statement of Financial Position

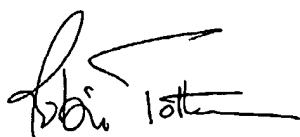
as at 31 December 2021

	Notes	2021 \$'000	2020 \$'000
ASSETS			
Non-current assets			
Investments	3	76,762	76,147
Current assets			
Loans to Group undertakings	4	115,331	117,202
Total assets		192,093	193,349
EQUITY			
Shareholders' equity			
Called up share capital	5	1,389	1,384
Share premium	6	122,291	121,940
Foreign currency translation reserve	6	(2,295)	(157)
Share option reserve	6	2,001	867
Merger reserve	6	7,296	7,296
Retained earnings		61,411	62,019
Total equity		192,093	193,349
LIABILITIES			
Total liabilities		-	-
Total equity and liabilities		192,093	193,349

The notes on pages 144 to 149 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 2021 was \$1,043,000 (2020: \$2,438,000 loss).

The Financial Statements were approved by the Board of Directors on 29 June 2022 and were signed on its behalf by:



R B C Totterman
Director



C D Kay
Director

Company Statement of Changes in Equity

for the year ended 31 December 2021

	Notes	Called up share capital \$'000	Share premium \$'000	Foreign currency translation reserve \$'000	Share option reserve \$'000	Retained earnings \$'000	Merger reserve \$'000	Total equity \$'000
Balance at 1 January 2020		-	-	-	-	-	-	-
Changes in equity								
Loss for the year		-	-	-	-	(2,438)	-	(2,438)
Other comprehensive loss	6	-	-	(157)	-	-	-	(157)
Total comprehensive loss		-	-	(157)	-	(2,438)	-	(2,595)
Issue of share capital	5,6	603	119,215	-	-	-	(22)	119,796
Exercise of share options	5,6	99	2,725	-	(3,140)	2,973	-	2,657
Share-based payments	6	-	-	-	1,133	-	-	1,133
Share for share exchange and creation of merger reserve	5,6	682	-	-	2,874	-	68,802	72,358
Capital reduction	6	-	-	-	-	61,484	(61,484)	-
Balance at 31 December 2020		1,384	121,940	(157)	867	62,019	7,296	193,349
Changes in equity								
Loss for the year		-	-	-	-	(1,043)	-	(1,043)
Other comprehensive loss	6	-	-	(2,138)	-	-	-	(2,138)
Total comprehensive loss		-	-	(2,138)	-	(1,043)	-	(3,181)
Share-based payments	6	-	-	-	1,484	-	-	1,484
Exercise of share options	5,6	5	351	-	(350)	435	-	441
Balance at 31 December 2021		1,389	122,291	(2,295)	2,001	61,411	7,296	192,093

The notes on pages 144 to 149 form part of these Financial Statements.

Notes to the Company Financial Statements

for the year ended 31 December 2021

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 holding Company.

2. Accounting policies

These Financial Statements were prepared in accordance with the Companies Act 2006 as applicable to Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'), 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 fixed 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 investment is supported by their recoverable amount.

Current and non-current classifications

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

An asset is considered current when it is:

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

Or

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

The Group classifies all other assets as non-current.

Financial instruments – initial recognition and subsequent measurement

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

Financial assets

Initial recognition and subsequent measurement

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

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

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

Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired.

Impairment of financial assets

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

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 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 32 of the Consolidated Financial Statements.

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.

Foreign currencies

These Financial Statements are presented in USD, which is the Company's presentational currency. The functional currency of the Company is GBP. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

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:

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 note 4 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.

Notes to the Company Financial Statements continued

for the year ended 31 December 2021

3. Investments

	Shares in subsidiaries \$'000
COST AND NET BOOK VALUE	
At 1 January 2021	76,147
Additions for share-based payments in subsidiaries	1,484
Foreign exchange	(869)
At 31 December 2021	76,762

Investments held are shown below. Investments held directly by the Company are marked *. The remaining investments are held indirectly by the Company.

Subsidiaries	Registered office	Nature of business	Class of shares	% holding
INSPECS Holdings Limited*	7–10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Holding Company	Ordinary	100.00
INSPECS Limited ⁸	7–10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Eyewear trading	Ordinary	100.00
INSPECS USA LC ⁸	18401 US Highway 19N, Clearwater, Florida 33764, USA	Eyewear trading	Ordinary	100.00
Algha Group Limited ⁸	7–10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Eyewear manufacturing	Ordinary	100.00
INSPECS Scandinavia AB ⁸	184 40 Akersberga, Stockholm, Sweden	Eyewear trading	Ordinary	100.00
Maronglow Limited ¹	7–10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Dormant	Ordinary	100.00
UK Optical Limited ⁸	7–10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Dormant	Ordinary	100.00
American Optical UK Limited ⁸	7–10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Dormant	Ordinary	100.00
Twenty20 Limited ²	Elian Fiduciary Services (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman KY1-9007, Cayman Islands	Holding Company	Ordinary	100.00
Bandoma Limited ³	Suite 6, Watergardens 4, Gibraltar	Holding Company	Ordinary	100.00
Ice Foster Limited ³	Nemours Chambers, Road Town, Tortola, British Virgin Islands	Holding Company	Ordinary	100.00
Killine Group Limited ⁴	Elian Fiduciary Services (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman KY1-9007, Cayman Islands	Holding Company	Ordinary	100.00
Killine Optical Limited ³	Alameda Dr. Carlos D'Assumpcao, nos 335–341, Edificio Centro Hotline, 21 andar A, em Macau	Eyewear trading	Ordinary	100.00
Neo Optical Company Limited ⁵	Neo Town Industrial Zone, Yen Dung District, Bac Giang Province, Vietnam	Eyewear manufacturing	Ordinary	100.00
On Sight Services-Sociedade Unipessoal, Lda ³	Rua Soares de Passos, 10A/10B	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, Domèggi Di Cadore, CAP 32040, Italy	Eyewear manufacture	Ordinary	100.00
Primoptic Limited ⁷	Alameda Dr. Carlos D'Assumpcao, nos 335–341, Edificio Centro hotline, 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

Subsidiaries	Registered office	Nature of business	Class of shares	% holding
Norville (20/20) Limited ²	7–10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Lens manufacturer	Ordinary	100.00
BoDe Design GmbH ²	Hofweg 20, 97737 Gemunder am Main, Germany	Eyewear trading	Ordinary	100.00
EGO Eyewear Limited ²	7–10 Kelso Place, Bath, Somerset, BA1 3AU, UK	Eyewear trading	Ordinary	100.00
EGOptiska AB ¹⁶	Johannesgränd 1, Stockholm, Sweden	Eyewear trading	Ordinary	100.00
EGOptiska International AB ¹⁶	Johannesgränd 1, Stockholm, Sweden	Eyewear trading	Ordinary	100.00
EGO Eyewear (HK) Limited ¹⁶	Yau Tsim Mong, Hong Kong	Eyewear trading	Ordinary	100.00
EGO Eyewear AB ¹⁶	Johannesgränd 1, Stockholm, Sweden	Eyewear trading	Ordinary	100.00
Greights AB ¹⁶	Johannesgränd 1, Stockholm, Sweden	Eyewear 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	Eyewear trading	Ordinary	100.00
Eschenbach Optik B.V. ¹⁴	Osloweg 134, Groningen, Netherlands	Eyewear trading	Ordinary	100.00
Eschenbach Optik spol s. r.o. ¹⁴	K Fialce 35, Prague, Czech Republic	Eyewear trading	Ordinary	100.00
Eschenbach Optik sp. z o.o. ¹⁴	ul. Biedronki 60, Warsaw, Poland	Eyewear trading	Ordinary	100.00
Eschenbach Optik GmbH ¹⁴	Brunnenfeldstraße 14, Linz, Austria	Eyewear trading	Ordinary	100.00
Eschenbach Optik s.a.r.l. ¹⁴	64 rue Claude Chappe, Plaisir, France	Eyewear trading	Ordinary	100.00
Eschenbach Optik s.r.l. ¹⁴	Via C.Colombo 10, Torino, Italy	Eyewear trading	Ordinary	100.00
Eschenbach Optik of America, Inc. ¹⁴	22 Shelter Rock Lange, Danbury, USA	Eyewear trading	Ordinary	100.00
Eschenbach Optik of Japan Co.Ltd. ¹⁴	2-15-4 Kanda-Tsukasamachi, Chiyoda-ku, Tokyo, Japan	Eyewear trading	Ordinary	100.00
Eschenbach Optik S.L. ¹⁴	Consell de Cent 106-108, Barcelona, Spain	Eyewear trading	Ordinary	100.00
Eschenbach Optik GmbH ¹¹	Fürther Straße 252, 90429, Nuremberg, Germany	Eyewear trading	Ordinary	100.00
Eschenbach Optik (Shenzhen) ¹⁴	Block A, Tian An Cyber Times Che Gong Miao, Futian District, Shenzhen, China	Eyewear trading	Ordinary	100.00
Josef Eschenbach GmbH ¹⁴	Fürther Straße 252, 90429, Nuremberg, Germany	Eyewear trading	Ordinary	100.00
Josef Eschenbach Verwaltung GmbH ¹⁵	Fürther Straße 252, 90429, Nuremberg, Germany	Eyewear trading	Ordinary	100.00
Eschenbach International GmbH ¹¹	Fürther Straße 252, 90429, Nuremberg, Germany	Holding Company	Ordinary	100.00
Eschenbach UK Holdings Ltd ¹²	27 Blackberry Lane, Halesowen, B63 4NX, UK	Holding Company	Ordinary	100.00
International Eyewear Ltd ¹³	27 Blackberry Lane, Halesowen, B63 4NX, UK	Eyewear trading	Ordinary	100.00
TURA, Inc. ¹²	123 Girton Drive, Muncy, USA	Eyewear trading	Ordinary	100.00
Eschenbach Optik A/S ¹¹	Boskærvej 18, Vejle, Denmark	Eyewear trading	Ordinary	100.00
Ruain Zuoyou Glasses Co Ltd ¹⁷	Building 35, Shidai industrial zone, Mayu, Ruian, Zhejiang, P.R.China	Eyewear trading	Ordinary	25.00

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 Josef Eschenbach GmbH

16 The shares are held by EGO Eyewear Limited

17 The shares are held by Zhongshan Torkai Optical Co Limited

18 The shares are held by EGO Eyewear AB

Notes to the Company Financial Statements continued

for the year ended 31 December 2021

4. Loans to Group undertakings

	Loans to Group undertakings \$'000
At 31 December 2020	117,202
Interest during the year	(906)
Foreign exchange	(965)
At 31 December 2021	115,331

Amounts owed by Group undertakings are unsecured, with no interest charged and have no set repayment date. Due to the amounts having no set repayment date they have been classified as current assets.

5. Called up share capital

Authorised and issued share capital:

Number:	Class:	Nominal value	2021 \$'000	2020 \$'000
101,671,525 (2020: 101,290,898)	Ordinary	£0.01	1,389	1,384
			1,389	1,384

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

A further 380,627 shares have been created during the year as a result of the exercise of share options.

6. Reserves

Share premium

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

	2021 \$'000	2020 \$'000
At 1 January	121,940	–
Issue of share capital	–	119,215
Exercise of share options	351	2,725
At 31 December	122,291	121,940

Foreign currency translation reserve

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

	2021 \$'000	2020 \$'000
At 1 January	(157)	–
Other comprehensive loss	(2,138)	(157)
At 31 December	(2,295)	(157)

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.

	2021 \$'000	2020 \$'000
At 1 January	867	–
Share for share exchange	–	2,874
Share-based payment charge	1,484	1,133
Exercise of share options	(437)	(2,973)
Deferred tax on share options	87	(167)
At 31 December	2,001	867

The share-based payment charge for the year is recognised against the reserve as per IFRS 2 Share-Based Payments.

Share options exercised in the period include both cash settled (resulting in the issue of 274,730 shares) and net settled (resulting in the issue of 105,897 shares). The cash settled share options resulted in an increase in share capital of \$4,000 and share premium of \$351,000.

As options have been exercised during the year, the reserve relating to these options has been released to retained earnings, with a further \$87,000 (2020: \$167,000) released against the deferred tax asset held in relation to the options exercised.

Merger reserve

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

	2021 \$'000	2020 \$'000
	7,296	–
Issue of share capital	–	(22)
Share for share exchange and merger reserve	–	68,802
Capital reduction	–	(61,484)
At 31 December	7,296	7,296

7. Contingent liabilities

The Company's UK subsidiary Algha Group Limited (registered number 03240950) has taken advantage of the audit exemption under section 479A of the Companies Act 2006 for the year ended 31 December 2021. Consequently, the Company has provided the statutory guarantee in relation to the subsidiary's liabilities. The third-party liabilities of the subsidiary as of 31 December 2021 amounted to \$1,000 (2020: \$63,000).

8. Post balance sheet events

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

Appendix 1

Reconciliation of underlying EBITDA (unaudited)
for the year ended 31 December 2021

	2021 \$'000	2020 \$'000
Revenue	246,471	47,415
Gross profit	115,771	20,522
Operating and distribution expenses, net of other operating income	(114,230)	(23,462)
Operating profit/(loss)	1,541	(2,940)
Movement in fair value on derivative	-	(740)
Operating profit/(loss) after movement in fair value on derivative	1,541	(3,680)
Add back: Amortisation and impairment on intangible assets	11,020	1,607
Add back: Depreciation	7,430	2,299
EBITDA	19,991	226
Add back: Share-based payment expense	1,484	1,706
Add back: Restructuring costs	-	185
Add back: Foreign exchange on funding for acquisitions	-	1,085
Add back: Post-acquisition insurance costs	-	563
Add back: Movement in fair value on derivative	-	740
Underlying EBITDA	21,475	4,505
Operating profit/(loss)	1,541	(2,940)
Non-underlying costs	(2,588)	(5,763)
Negative goodwill on bargain purchase	-	506
Movement in fair value on derivative	-	(740)
Exchange adjustment on borrowings	(5,418)	(382)
Less: Net finance costs	(2,657)	(1,844)
Add: Share of (loss)/profit of associate	(10)	-
Loss before income tax	(9,132)	(11,163)
Tax	3,697	2,250
Loss for the year	(5,435)	(8,913)
	2021 \$'000	2020 \$'000
Underlying EBITDA	21,475	4,505
Add back: Purchase Price Allocation ('PPA') release on Eschenbach inventory through cost of sales	5,991	-
Add back: Underlying EBITDA (loss) for acquisitions in the period	90	1,295
Adjusted Underlying EBITDA	27,556	5,800

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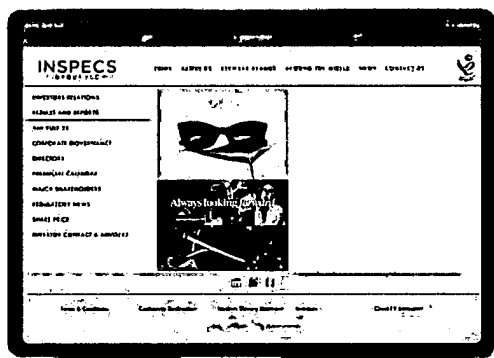
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Annual Report 2021

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