

17 April 2024

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

**Final Results**

INSPECS Group plc, a leading designer, manufacturer, and distributor of eyewear (sunglasses, optical frames, lenses and low vision products) today announces its final results for the year ended 31 December 2023.

**Financial Highlights**

- Group revenue of £203.3m (2022: £201.0m)
- Group revenue on a constant exchange rate basis<sup>1</sup> of £200.7m (2022: £201.0m)
- Gross profit up 4.7% to £103.5m (2022: £98.9m)
- Adjusted Underlying EBITDA<sup>1</sup> up 16.1% to £18.0m (2022: £15.5m)
- Profit before tax of £0.2m (2022: loss before tax £7.7m)
- Net debt excluding leasing reduced by £3.4m to £24.2m (2022: £27.6m)
- Cash flows from operating activities up £7.0m to £16.9m (2022: £9.9m)

**Operational Highlights and Current Trading**

- New 8,000sqm manufacturing facility completed and preparing for initial production later in the year
- Launch of leading brand into major global retailer delivered in 2023, with a store roll out in April 2024
- O'Neill and our sustainable proprietary-brand Botaniq secured for increased distribution into global travel retail markets
- The new team in Norville delivered significant operational improvement in 2023 and we are now focused on increasing the customer base
- Eschenbach Optik will be launching new low vision aids in H2 2024
- Gaming eyewear launching in May 2024, with direct-to-consumer sales
- Our operational efficiency drive is delivering results, with further work in progress on the amalgamation of our US operations and global supply chain
- Innovative water-soluble bag designed in 2023 launching in H1 2024
- Significant new distribution into two major US chains secured for H2 2024
- New acquisition in Norway, A-Optikk AS, trading in line with expectations
- After a disappointing end to 2023 and a slow start to 2024, the recent trend has been more encouraging. Current momentum in the business supports delivery of market expectations for 2024

1. Constant exchange rates and Adjusted Underlying EBITDA are non-statutory measures. Please refer to note 4 for details.

**Richard Peck, Chief Executive Officer of INSPECS Group plc, commented:**

*"The Group delivered record sales in 2023 with an increased number of frames sold, despite a slower than expected end to the year. The progress that we have made in 2023 is now delivering increased distribution of our brands to both key accounts and our independent markets. Whilst consumer markets in Europe remain subdued, our businesses are continuing to perform well."*

*"Our Frames and Optics division delivered solid growth of £5.4m in revenue and a significant increase in operational performance despite the loss of sales to Grand Vision following its acquisition by Essilor Luxottica. This, and an adjustment in buying patterns by our major global retailers in 2023 caused by the effect of COVID, particularly affected our manufacturing business in Asia. The construction of our new, state-of-the-art 8,000sqm manufacturing facility in Vietnam has been delivered on time and on budget, and the manufacturing division is now poised for further growth in the second half of 2024. Norville, our lens manufacturing business, continues to show month on month growth with significant new independent accounts and a new key account in place for 2024."*

*"Our Group operates in a resilient and growing market, and we continue to refine our business model and our strategy to deliver sustained and profitable growth. After a disappointing end to 2023 and a slow start to 2024, the recent trend has been more encouraging. Current momentum in the business supports delivery of market expectations for 2024 and I am confident that the Group is well positioned for continued success. We are excited about our future and look forward to sharing more achievements in the coming year."*

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**About INSPECS Group plc**

## ABOUT INSPECS Group plc

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

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

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

INSPECS customers are global optical and non-optical retailers, global distributors and independent opticians. Its distribution network covers over 80 countries and reaches approximately 75,000 points of sale.

More information is available at: <https://INSPECS.com>

## CHAIRMAN'S STATEMENT

There is no doubt that 2023 was a challenging year for the Group, which included a slowdown of sales in December. However, our commitment to excellence in operations, sustainability and social responsibility has been unwavering, driving us forward towards success.

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

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

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

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

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

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

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

### Robin Totterman

Executive Chairman

## CHIEF EXECUTIVE'S REVIEW

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

### GLOBAL PRESENCE AND PRODUCT EXCELLENCE

We are a global company, distributing to over 80 countries and producing high performing, award winning products to

exceed our customers' expectations. Despite challenges faced in 2023, our dedicated teams have pursued opportunities, delivered synergies and profit optimisation initiatives to ensure the business operates efficiently and continues to deliver high performing products.

## **STRATEGY**

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

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

## **GROUP PERFORMANCE**

### **FRAMES AND OPTICS**

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

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

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

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

### **LENSES**

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

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

## **MANUFACTURING**

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

I am pleased to say that the construction of our new facility in Vietnam is completed and we are now preparing for initial production later in the year. I would like to thank all of the team involved in the project that have delivered a world class manufacturing facility on time and budget. We are seeing significant interest from the optical industry as a result of the increased capacity and efficiency of manufacturing in Vietnam.

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

## **OPPORTUNITIES AND DEVELOPMENT**

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

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

## **INNOVATION**

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

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

Our commitment to Environmental, Social, and Governance responsibilities is evident in our evolving ESG Roadmap. Our core vision of 'Always looking forward' is to build a better future, focusing on sustainability, community engagement, and employee wellbeing. Our Task Force on Climate-Related Financial Disclosures ("TCFD") analysis guides us in understanding and addressing our carbon footprint.

## **OUTLOOK**

I am pleased with the performance of the business to date and, with the opportunities that are in place for 2024, this gives me confidence in the Group achieving market expectations for 2024. As we look to the future, our focus remains on our six strategic pillars. I am confident that we are well positioned for the continued success of the Group. We are excited about

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

## Richard Peck

Chief Executive Officer

## CHIEF FINANCIAL OFFICER'S REVIEW

Group sales for the year of £203.3m was an increase of 1% on previous year's sales of £201.0m. Our continuing work to reduce non-operational costs, without affecting the ability of the Group to drive forward in the future, has led to a 16% increase in Adjusted Underlying EBITDA.

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

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

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

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

### FINANCIAL PERFORMANCE

	FY23 £'000	FY22 £'000
<b>Revenue</b>	<b>203,292</b>	200,957
Gross profit	<b>103,547</b>	98,860
Underlying operating expenses	<b>(85,508)</b>	(83,335)
<b>Adjusted Underlying EBITDA</b>	<b>18,039</b>	15,525
Share-based payments	<b>(972)</b>	(1,398)
Depreciation and amortisation	<b>(13,039)</b>	(13,637)
Earnout on acquisitions	<b>(1,140)</b>	(1,544)
Purchase price adjustment	-	(132)
<b>Operating profit/(loss) before non-underlying costs</b>	<b>2,888</b>	(1,186)
Reconciliation to reported results		
<b>Operating profit/(loss) before non-underlying costs</b>	<b>2,888</b>	(1,186)
Non-underlying costs	<b>(58)</b>	(1,466)
Exchange adjustments on borrowings	<b>1,312</b>	(2,044)
Share of (loss)/profit of associate and joint venture	<b>(12)</b>	19
Net finance costs	<b>(3,915)</b>	(2,987)
<b>Profit/(loss) before tax</b>	<b>215</b>	(7,664)
Tax (charge)/credit	<b>(1,212)</b>	1,345
<b>Loss after tax</b>	<b>(997)</b>	(6,319)

### REVENUE

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

### GROSS MARGIN

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

### ADJUSTED UNDERLYING EBITDA

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

### OPERATING EXPENSES

**OPERATING EXPENSES**

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

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

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

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

**PROFIT/(LOSS) BEFORE TAX**

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

	2023 £m	2022 £m
Adjusted Underlying EBITDA	18.0	15.5
Non-cash adjustments		
1. Depreciation and amortisation	(13.0)	(13.6)
2. Purchase Price Allocation ('PPA') release on inventory	-	(0.1)
3. Exchange adjustments on borrowings	1.3	(2.0)
4. Share-based payments	(1.0)	(1.4)
5. Earnout on acquisitions	(1.1)	(1.5)
Sub-total	4.2	(3.1)
Non-underlying costs	(0.1)	(1.5)
Net finance costs	(3.9)	(3.1)
<b>Profit/(loss) before tax</b>	<b>0.2</b>	<b>(7.7)</b>

**KEY ITEMS IMPACTING THE CURRENT YEAR'S RESULTS ARE AS FOLLOWS:****Depreciation and amortisation**

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

	31 December 2023 £m	31 December 2022 £m
Depreciation	6.1	6.7
Amortisation	6.9	6.9
<b>Total</b>	<b>13.0</b>	<b>13.6</b>

**Exchange adjustment on borrowings**

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

**Share based payment expense**

The Group has an LTIP scheme in place that vests over a period of three years from the date of the grant of the option at market value and is subject to the continued employment of the individual over that period. The Group has recognised a non-cash charge of £1.0m in 2023 (FY22: £1.4m). The scheme is designed to give the equivalent of one year's salary to an individual over that three-year period.

**Earnout on acquisitions**

The acquisitions of FGO Eyewear and BoDe Designs in December 2021 both contain amounts due for contingent

The acquisitions of ESO Equestre and ESOE Design in December 2022 bear contingent amounts due for contingent consideration, based on the performance of those businesses. In 2023, the amounts payable under the agreements amounted to £1.1m and have been charged to the profit and loss account in accordance with IFRS 3. Further contingent consideration is expected to arise in 2024 and will be subject to the performance of those businesses.

#### Net finance costs

Bank loan interest increased by £1.6m primarily due to significant global rises in interest rates during 2023. The amortisation of loan transaction costs relates to the refinancing charges that are amortised over the period of the financing facilities available to the Group. In 2023, the Group exercised its option to extend its finance facilities with HSBC until October 2025.

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

#### Non-underlying costs

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

#### PRIOR YEAR ADJUSTMENT

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

#### CASH FLOWS

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

	31 December 2023 £'000	31 December 2022 £'000
Cash and cash equivalents at the beginning of year	22,153	22,024
Net cash from operating activities	12,665	4,002
Net cash used in investing activities	(6,183)	(3,447)
Net cash used in financing activities	(8,835)	(3,555)
Decrease in cash and cash equivalents	(2,353)	(3,000)
Foreign exchange movements in the year	270	3,129
Cash and cash equivalents including overdrafts at the year end	20,070	22,153

#### The breakdown of net cash used in investing activities is

Purchase of intangible fixed assets	(1,248)	(861)
Purchase of property, plant and equipment	(4,502)	(2,639)
Cash paid in relation to deferred consideration	(673)	-
Purchase of shareholding in associate and joint venture	-	(55)
Interest received	240	108
Net cash used in investing activities	(6,183)	(3,447)

#### WORKING CAPITAL

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

#### Receivables

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

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

### Inventory

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

	<b>31 December</b>	
	<b>2023</b>	<b>31 December 2022</b>
	<b>£m</b>	<b>£m</b>
Turnover	<b>203.3</b>	201.0
Inventory	<b>40.9</b>	48.2
Sales to inventory ratio	<b>5.0</b>	4.2

### Loan Reclassification

During the prior year, as at 31 December 2022, it was determined that INSPECS Limited, who holds the revolving credit facility on behalf of the Group, was in technical breach of its cashflow cover loan covenant. This resulted in the reclassification of the loan balance (£37.8m) to a current liability in line with IAS 1. Subsequently, the bank waived the cashflow cover and leverage covenants as at 31 December 2022. As at 31 December 2023, the Group was compliant with all its covenants. The following ratios show a significant increase as a result of this reclassification.

### Current asset ratio

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

	<b>Year ended 31 December 2023</b>	<b>Year ended 31 December 2022</b>
	<b>£m</b>	<b>£m</b>
Current assets	<b>97.2</b>	105.1
Current liabilities	<b>65.9</b>	107.0
Ratio	<b>1.5</b>	1.0

### Quick ratio

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

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

### Net debt

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

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

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

### FINANCING

The Group finances its operation through the following facilities. During the year the Group agreed to extend its facilities with HSBC to 24 October 2025. These facilities have a leverage ceiling of 2.25 and debt service cover of 1.05 and an interest cover of 3.0.

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

Total	47.8	44.4
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\*This facility is denominated in USD with a revaluation performed quarterly by the bank. Any drawdown in excess of the amount available is repaid during the following quarter.

#### LEVERAGE (USING DEBT TO EQUITY RATIO)

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

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

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

#### EARNINGS PER SHARE

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

#### DIVIDEND

The Group does not intend to pay a dividend for the year ended 31 December 2023. A dividend of £1.3m was paid during 2022 in respect of the year ended 31 December 2021.

#### GOING CONCERN

The Directors have undertaken a comprehensive assessment of the Group's ability to trade out to 30 June 2025. Taking this into consideration, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue to trade throughout the review period. Therefore, the Directors continue to adopt the going concern basis in preparing the consolidated and Parent Company financial statements.

### Chris Kay

Chief Financial Officer

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
<b>Revenue</b>	5	203,292	200,957
Cost of sales		(99,745)	(102,097)
<b>Gross profit</b>		103,547	98,860
Distribution costs		(6,020)	(6,292)
Administrative expenses		(94,639)	(93,754)
<b>Operating profit/(loss)</b>		2,888	(1,186)
Non-underlying costs	8	(58)	(1,466)
Exchange adjustment on borrowings		1,312	(2,044)
Finance costs	9	(4,155)	(3,095)
Finance income	9	240	108
Share of (loss)/profit of associate and joint venture		(12)	19
<b>Profit/(loss) before income tax</b>		215	(7,664)
Income tax (charge)/credit	11	(1,212)	1,345
<b>Loss for the year</b>		(997)	(6,319)
Attributable to:			
Equity holders of the Parent		(997)	(6,319)
<b>Earnings per share</b>			
Basic loss for the year attributable to the equity holders of the Parent	12	(0.98)p	(6.21)p
Diluted loss for the year attributable to the equity holders of the Parent	12	(0.98)p	(6.21)p

## CONSOLIDATED STATEMENT OF



## OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 £'000	2022 £'000
<b>Loss for the year</b>	(997)	(6,319)
<b>Other comprehensive (loss)/income</b>		
Exchange differences on translation of foreign operations	(3,999)	6,228
<b>Other comprehensive (loss)/income for the year, net of income tax</b>	(3,999)	6,228
<b>Total comprehensive loss for the year</b>	(4,996)	(91)
Attributable to: Equity holders of the Parent	(4,996)	(91)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Notes	2023 £'000	2022 £'000 Restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill		55,578	55,578
Intangible assets		29,813	36,170
Property, plant and equipment		19,001	17,424
Right-of-use assets		16,599	19,683
Investments in associate and joint venture		98	112
Deferred tax assets	17	2,826	1,835
		<b>123,915</b>	<b>130,802</b>
<b>Current assets</b>			
Inventories		40,848	48,158
Trade and other receivables		35,855	31,144
Tax receivables		386	3,681
Cash and cash equivalents		20,070	22,153
		<b>97,159</b>	<b>105,136</b>
Assets held for sale		832	832
<b>Total assets</b>		<b>221,906</b>	<b>236,770</b>
<b>EQUITY</b>			
<b>Shareholders' equity</b>			
Called up share capital		1,017	1,017
Share premium	15	89,508	89,508
Foreign currency translation reserve	15	5,435	9,434
Share option reserve	15	3,222	2,703
Merger reserve	15	5,340	5,340
Retained earnings	15	(1,005)	(461)
<b>Total equity</b>		<b>103,517</b>	<b>107,541</b>
	Notes	2023 £'000	2022 £'000 Restated
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Financial liabilities - borrowings			
Interest-bearing loans and borrowings	16	48,234	16,548
Deferred consideration	14	652	1,350
Deferred tax liabilities	17	3,647	4,376
		<b>52,533</b>	<b>22,274</b>
<b>Current liabilities</b>			
Trade and other payables		36,375	39,153
Right of return liabilities	5	11,297	10,613
Financial liabilities - borrowings			
Interest-bearing loans and borrowings	24	13,000	51,746
Invoice discounting	24	887	1,490
Deferred and contingent consideration	14	2,111	2,518
Tax payable		2,186	1,435
		<b>65,856</b>	<b>106,955</b>

<b>Total liabilities</b>	<b>118,389</b>	129,229
<b>Total equity and liabilities</b>	<b>221,906</b>	236,770

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	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
<b>Balance at 1 January 2022</b>		1,017	89,508	3,206	1,454	6,931	5,340	107,456
<b>Changes in equity</b>								
Loss for the year		-	-	-	-	(6,319)	-	(6,319)
Other comprehensive income	15	-	-	6,228	-	-	-	6,228
<b>Total comprehensive loss</b>		-	-	6,228	-	(6,319)	-	(91)
Share-based payments	15	-	-	-	1,398	-	-	1,398
Share options cancelled	15	-	-	-	(149)	149	-	-
Cash dividends	15	-	-	-	-	(1,222)	-	(1,222)
<b>Balance at 31 December 2022</b>		1,017	89,508	9,434	2,703	(461)	5,340	107,541
<b>Changes in equity</b>								
Loss for the year		-	-	-	-	(997)	-	(997)
Other comprehensive loss	15	-	-	(3,999)	-	-	-	(3,999)
<b>Total comprehensive loss</b>		-	-	(3,999)	-	(997)	-	(4,996)
Share-based payments	15	-	-	-	972	-	-	972
Share options forfeited	15	-	-	-	(453)	453	-	-
<b>Balance at 31 December 2023</b>		1,017	89,508	5,435	3,222	(1,005)	5,340	103,517

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
<b>Cash flows from operating activities</b>	13	<b>16,914</b>	9,888
Interest paid		(3,647)	(2,952)
Tax paid		(602)	(2,934)
<b>Net cash from operating activities</b>		<b>12,665</b>	4,002
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(1,248)	(861)
Purchase of property, plant and equipment		(4,502)	(2,639)
Cash paid in relation to deferred consideration		(673)	-
Purchase of shareholding in associate and joint venture		-	(55)
Interest received		240	108
<b>Net cash used in investing activities</b>		<b>(6,183)</b>	(3,447)
<b>Cash flow from financing activities</b>			
New bank loans in the year		-	10,334
Bank loan principal repayments in year		(4,014)	(8,392)
Transaction costs on debt refinancing		(70)	(80)
Movement in invoice discounting facility		(603)	(310)
Dividends paid to equity holders of the Parent		-	(1,271)
Principal payments on leases		(4,148)	(3,836)
<b>Net cash used in financing activities</b>		<b>(8,835)</b>	(3,555)
Decrease in cash and cash equivalents		(2,353)	(3,000)

Decrease in cash and cash equivalents	(5,955)	(5,955)
Cash and cash equivalents at beginning of the year	22,153	22,024
Effect of foreign exchange rate changes	270	3,129
<b>Cash and cash equivalents at end of the year</b>	<b>20,070</b>	<b>22,153</b>

## Notes

### 1. General information

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

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

### 2. Accounting policies

#### Basis of preparation

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

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

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

#### Going Concern

The financial statements have been prepared on the going concern basis as the Directors have assessed that there is a reasonable expectation that the Group will be able to continue in operation and meet its commitments as they fall due over the going concern period to 30 June 2025.

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

#### Base Case

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

#### Severe but plausible downside scenario

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

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

#### Reverse Stress test

- The reverse stress test updated our base case with a 26% drop in forecast revenue, whilst maintaining gross margin. This drop represents a significant reduction against actual trading in 2023 and is a reduction in revenue not previously experienced by the Group. This results in a breach in interest ratio covenant in June 2025. No other covenants were forecast to be breached in this period. The reverse stress test assumes some controllable costs saving by a reduction in employee expenses through reducing headcount, discretionary administration costs being limited to only those determined to be essential, further reducing the time period in which returns can be made allowing for a release of the right of return provision and stopping non-committed capital expenditure from November 2024 onwards.

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

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

The Group's borrowings, amounting to £44.3m, contains three covenants; Leverage, Cashflow Cover and Interest Cover ratios. Compliance on these covenants is based on 12-month rolling periods for each Relevant Period. The facilities are due for renewal in October 2025 and initial discussions regarding renewal have already taken place. Formal work on the renewal is expected to take place in Q3 2024 with a view to extending the terms for a further 3 years from October 2025. The Directors are confident of a successful renewal of the facilities based on the recent granting of the 12-month extension to October 2025 combined with positive discussions with the current lenders regarding future financing beyond the going concern period.

On this basis the Board has reasonable expectations that the Group and Company has adequate resources to continue as a Going Concern to 30 June 2025. Accordingly, the directors adopt the going concern basis in preparing the financial statements.

#### Basis of consolidation

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

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

#### **Business combinations and goodwill**

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

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

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

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

#### **Revenue recognition**

Revenue from the sales of goods is recognised at the point in time when control of the asset is transferred to the customer, in line with agreed incoterms. Revenue is recognised at the fair value of the consideration received or receivable for sale of goods to external customers in the ordinary nature of the business. The fair value of the consideration takes into account trade discounts, settlement discounts, volume rebates and the right of return. Revenue in relation to royalty income is recognised over the period to which the royalty term relates. Revenue in relation to design income is recognised as the work is performed.

#### **Rights of return**

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

- A full or partial refund of any consideration paid;
- A credit that can be applied against amounts owed, or that will be owed, to the entity; and
- Another product in exchange (except for in cases of a defective product being returned, or the exchanged item is of the same type, quality, condition and price).

The Group recognised a liability where it has historically accepted a right of return. The Group estimates the impact of potential returns from customers based on historical data on returns. A refund liability is recognised for the goods that are expected to be returned. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer to the extent that these goods are not considered impaired.

#### **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.

#### **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.

#### **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.

#### **Deferred and contingent consideration in relation to acquisitions**

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

#### **Taxation**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates. Tax liabilities are recognised when it is considered probable that there will be a future outflow of funds to a taxing authority. Uncertainties regarding availability of tax losses, in respect of enquiries raised and additional tax measurements issued, may be measured using the expected value method or single best estimate approach, depending on the nature of the uncertainty. Tax provisions are based on management's interpretation of country-specific tax law and the likelihood of settlement. Management uses professional firms and previous experience when assessing tax risks.

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

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

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

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

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

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

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

#### **Foreign currencies**

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

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

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

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

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

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

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

#### **Non-underlying costs**

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

### Prior year adjustments

Material prior period errors are corrected retrospectively in the first set of Financial Statements authorised for issue after their discovery by restating the comparative amounts for the prior periods presented. A reconciliation between the corrected figures and those reported for key statements is provided in note 17. During the year, a prior year error has been identified in relation to the jurisdictional netting of deferred tax balances.

### New and amended standards and interpretations

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

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

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

The following standards have been published and are mandatory for accounting periods beginning after 1 January 2024.

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

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

### Changes in accounting policies and disclosures

Effective from 1 January 2023, the presentational currency for the Consolidated and Parent Company Financial Statements was changed from USD to GBP to allow for greater transparency for investors and other stakeholders. Accordingly, comparative information is therefore also restated in GBP for this voluntary presentational change. The Consolidated Financial Statements provide comparative information in respect of the year ended 31 December 2022. Income and expenses were translated at the respective average exchange rates prevailing for the relevant period. Assets, liabilities and total equity were translated at closing exchange rates prevailing on the respective balance sheet date. It is not considered that the change in presentational currency is a material change to the users of these financial statements.

A statement of financial position for the periods ended 31 December 2023, 31 December 2022 and 31 December 2021 is shown below to aid comparability.

	2023 £'000	2022 £'000 Restated	2021 £'000 Restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	55,578	55,578	56,206
Intangible assets	29,813	36,170	40,298
Property, plant and equipment	19,001	17,424	18,182
Right-of-use assets	16,599	19,683	16,482
Investment in associates	98	112	36
Deferred tax assets	2,826	1,835	2,041
	123,915	130,802	133,245
<b>Current assets</b>			
Inventories	40,848	48,158	41,199
Trade and other receivables	35,855	31,144	31,242
Tax receivables	386	3,681	2,566
Cash and cash equivalents	20,070	22,153	22,024
	97,159	105,136	97,031
Assets held for sale	832	832	-
<b>Total assets</b>	<b>221,906</b>	<b>236,770</b>	<b>230,276</b>
<b>EQUITY</b>			
<b>Shareholders' equity</b>			
Called up share capital	1,017	1,017	1,017
Share premium	89,508	89,508	89,508
Foreign currency translation reserve	5,435	9,434	3,206
Share option reserve	3,222	2,703	1,454
Merger reserve	5,340	5,340	5,340
Retained earnings	(1,005)	(461)	6,931
<b>Total equity</b>	<b>103,517</b>	<b>107,541</b>	<b>107,456</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Financial liabilities - borrowings			
Interest-bearing loans and borrowings	48,234	16,548	51,210
Deferred consideration	652	1,350	2,300
Deferred tax liabilities	3,647	4,376	7,944
	52,533	22,274	61,454
<b>Current liabilities</b>			
Trade and other payables	36,375	39,153	39,459
Right of return liabilities	11,297	10,613	8,215
Financial liabilities - borrowings			
Interest-bearing loans and borrowings	13,000	51,746	9,835
Invoice discounting	887	1,800	1,800

invoice discounting	887	1,430	7,777
Deferred and contingent consideration	2,111	2,518	-
Tax payable	2,186	1,435	2,057
	65,856	106,955	61,366
<b>Total liabilities</b>	<b>118,389</b>	<b>129,229</b>	<b>122,820</b>
<b>Total equity and liabilities</b>	<b>221,906</b>	<b>236,770</b>	<b>230,276</b>

### 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 2023 was £55,578,000 (2022: £55,578,000). No provision for impairment of goodwill was made as at the end of the reporting period.

#### Right of return

Management applies assumptions in determining the right of return liability and the associated right of return asset. These assumptions are based on analysis of historical data trends but require estimation of appropriate time periods and expected return rates. During the period, new information was identified providing a link between a returned item and the date of its original sale. Management considers this new information provides a more reliable estimate and it has therefore been used to determine the liability and associated asset required as at 31 December 2023. In addition, a change in commercial policy has been made in relation to the period over which returns are accepted, with this under the control of the Group, and this applied to the current period end position. This change in estimate arises from a refinement in methodology and has been recognised through the current year profit and loss in line with IAS 8.

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

#### Uncertain tax positions

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

As a result, the Group has identified that it is exposed to uncertain tax positions, which it has measured using an expected value methodology. Such methodologies require estimates to be made by management including the relative likelihood of each of the possible outcomes occurring, the periods over which the tax authorities may raise a challenge to the Group's transfer pricing or tax domicile arrangements; and the quantum of interest and penalties payable in additions to the underlying tax liability. The provision held in relation to uncertain tax liabilities as at 31 December 2023 is £596,000 (2022: £584,000).

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

#### Recognition of intangible assets

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

#### Deferred tax

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

### 4. Non statutory measures

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

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

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

	2023 £'000	2022 £'000
<b>Operating profit/(loss)</b>	<b>2,888</b>	<b>(1,186)</b>
Add back: Amortisation	6,910	6,893
Add back: Depreciation	6,129	6,744

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

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

## 5. Revenue

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

### a) Geographical analysis

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

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

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

### b) Right of return assets and liabilities

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

The right of return asset is presented as a component of inventory and the right of return liability is presented separately on the face of the Statement of Financial Position. The right of return liability is presented as a current liability as the timing of its utilisation is dependent on customer returns which varies from period to period and is outside of the Group's control.

## 6. Segment information

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

- Frames and Optics product distribution
- Manufacturing (previously Wholesale) - being OEM and manufacturing distribution



- Lenses - being manufacturing and distribution of lenses

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

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

	Frames and Optics £'000	Manufacturing (previously Wholesale) £'000	Lenses £'000	Total before adjustments & eliminations £'000	Adjustments & eliminations £'000	Total £'000
Revenue						
External	178,968	20,169	4,155	203,292	-	203,292
Internal	4,681	1,848	316	6,845	(6,845)	-
	183,649	22,017	4,471	210,137	(6,845)	203,292
Cost of sales	(92,871)	(11,712)	(2,509)	(107,092)	7,347	(99,745)
Gross profit	90,778	10,305	1,962	103,045	502	103,547
Expenses	(74,606)	(5,013)	(3,407)	(83,026)	(4,594)	(87,620)
Depreciation	(4,826)	(698)	(556)	(6,080)	(49)	(6,129)
Amortisation	(6,248)	(643)	(19)	(6,910)	-	(6,910)
Operating profit/(loss)	5,098	3,951	(2,020)	7,029	(4,141)	2,888
Exchange adjustment on borrowings						1,312
Non-underlying costs						(58)
Finance costs						(4,155)
Finance income						240
Share of loss of associate and joint venture						(12)
Taxation						(1,212)
Loss for the year						(997)

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

The reportable segments subject to disclosure are consistent with the organisational model adopted by the Group during the financial year ended 31 December 2022 and are as follows:

	Frames and Optics £'000	Manufacturing (previously Wholesale) £'000	Lenses £'000	Total before adjustments & eliminations £'000	Adjustments & eliminations £'000	Total £'000 Restated
Revenue						
External	173,539	23,907	3,511	200,957	-	200,957
Internal	5,180	4,080	176	9,436	(9,436)	-
	178,719	27,987	3,687	210,393	(9,436)	200,957
Cost of sales	(92,040)	(15,288)	(2,830)	(110,158)	8,061	(102,097)
Gross profit	86,679	12,699	857	100,235	(1,375)	98,860
Expenses	(74,023)	(5,035)	(4,240)	(83,298)	(3,111)	(86,409)
Depreciation	(5,279)	(802)	(654)	(6,735)	(9)	(6,744)
Amortisation	(5,991)	(882)	(20)	(6,893)	-	(6,893)
Operating profit/(loss)	1,386	5,980	(4,057)	3,309	(4,495)	(1,186)
Exchange adjustment on borrowings						(2,044)
Non-underlying costs						(1,466)
Finance costs						(2,005)

Finance costs						(13,073)
Finance income	Frames and Optics £'000	Manufacturing (previously Wholesale) £'000	Lenses £'000	Total before adjustments & eliminations £'000	Adjustments & eliminations £'000	Total £'000 Restated
Share of profit of associate and joint venture						19
Taxation						1,345
Loss for the year						(6,319)
Total assets	327,596	70,197	10,470	408,263	(173,328)	234,935
Total liabilities	(179,578)	(12,523)	(12,887)	(204,988)	151,354	(53,634)
Deferred tax asset						1,835
Current tax liability						(1,435)
Deferred tax liability						(4,376)
Borrowings						(69,784)
Group net assets						107,541
Other disclosures						
Capital additions	2,286	452	762	3,500	-	3,500

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

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

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

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

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

#### Adjusted Underlying EBITDA by segment

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

#### Non-current operating assets

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

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

#### 7. Employees and Directors

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

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

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

Directors' remuneration during the year was as follows:

2023	2022
------	------

	£'000	£'000
Directors' salaries	1,028	735
Directors' pension contributions	13	13
Share options	-	-
	1,041	748

Information regarding the highest paid Director is as follows:

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

The number of Directors to whom employer pension contributions were made by the Group during year is three (2022: three). This was in the form of a defined contribution pension scheme.

#### 8. Non-underlying costs

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

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

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

#### 9. Finance costs and finance income

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

#### 10. Profit/(loss) before income tax

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

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

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

#### 11. Income tax

Analysis of tax expense:

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

#### Factors affecting the tax charge/(credit)

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

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

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

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

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

#### 12. Earnings per share ('EPS')

Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary equity holders of the Parent by the weighted average number of Ordinary Shares outstanding during the year.

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the Parent by the weighted average number of Ordinary Shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on conversion of all the dilutive potential Ordinary Shares into Ordinary Shares, to the extent that the inclusion of such shares is not anti-dilutive. A loss has been made in the year to 31 December 2023 and the comparative period. In accordance with IAS 33, potential Ordinary Shares shall be treated as dilutive when, and only when, their conversion to Ordinary Shares would decrease earnings per share or increase loss per share from continuing operations. As a loss is made, including the dilution of potential Ordinary Shares reduces the loss per share and therefore the outstanding options should not be treated as dilutive when calculating EPS.

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

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

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

Year ended 31 December 2022	Basic weighted average number of Ordinary Shares ('000)	Total (loss)/earnings (£'000)	(Loss)/earnings per share (pence)
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Year ended 31 December 2022	2023 £'000	2022 £'000	2021 £'000
Basic loss per share	101,672	(6,319)	(6.21)
Diluted loss per share	101,672	(6,319)	(6.21)
Basic adjusted PBT per share	101,672	6,580	6.47
Diluted adjusted PBT per share	107,554	6,580	6.12

### 13. 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:

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

### 14. Deferred and contingent consideration

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

	2023 £'000	2022 £'000
EGO Eyewear Limited	652	1,350
<b>Total non-current deferred consideration</b>	<b>652</b>	<b>1,350</b>

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

The previous owners of BoDe design and EGO eyewear are entitled to earnout payments based on the performance of each entity to 31 December 2025. A charge has been recognised in the Income Statement of £1,140,000 (2022: £1,544,000) in relation to the earnout payable as a result of performance for the year to 31 December 2023.

### 15. Reserves

#### Share premium

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

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

#### Foreign currency translation reserve

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

2023      2022

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

#### Share option reserve

The share option reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

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

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

#### Merger reserve

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

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

#### Retained earnings

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

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

#### 16. Financial liabilities - borrowings

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

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

At the balance sheet date, the available invoice discounting facility was £2,113,000 (2022: £1,510,000). The invoice discounting facility bears interest at 2.25% over base rate (2022: 2.25%). The invoice discounting facility is secured by way of fixed and floating charges over the trade receivables of INSPECS Limited. The facility has no fixed end date, with a notice period of three months.

As at 31st December 2022, it was determined the Group was in technical breach of its cashflow cover loan covenant, which resulted in the re-classification of the loan balance (£37.8m) to a current liability in line with IAS 1. Subsequently, HSBC waived the cashflow cover and leverage covenants at 31 December 2022. There is no such technical breach as of 31 December 2023.

On 27 October 2021, the Group entered a new multi-currency term loan with HSBC for \$18,700,000. Repayments under this loan are £750,000 per quarter plus interest, with the liability standing at \$9,491,000 as at 31 December 2023. Interest is

payable at the applicable Margin Rate plus LIBOR calculated daily on a 360-day year basis. The Margin Rate is 1.90%, 2.15% or 2.40% dependent upon the Group's leverage ratio. The loan matures in October 2025, having been extended for a further 12 months during the period.

The Group also holds a multi-currency revolving credit facility loan amounting to £29,250,000 as at 31 December 2023. Interest is payable at LIBOR/EURIBOR/SONIA (depending on the currency in which funds are drawn down) plus 2.4% calculated daily on a 360-day year basis. The credit facility matures in October 2025, with this facility also having been extended for a further 12 months during the period.

A further loan is held amounting to \$8,203,000 as at 31 December 2023, on which no capital repayments are required until maturity of the loan. This loan holds an interest rate of LIBOR plus 2.25%.

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

#### 17. Prior year adjustment - Deferred tax

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

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

	31 December 2022 £'000	Prior year adjustment £'000	31 December 2022 £'000 Restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	55,578	-	55,578
Intangible assets	36,170	-	36,170
Property, plant and equipment	17,424	-	17,424
Right-of-use assets	19,683	-	19,683
Investments in associate and joint venture	112	-	112
Deferred tax assets	7,007	(5,172)	1,835
	<b>135,974</b>	<b>(5,172)</b>	<b>130,802</b>
<b>Current assets</b>			
Inventories	48,158	-	48,158
Trade and other receivables	31,144	-	31,144
Tax receivables	3,681	-	3,681
Cash and cash equivalents	22,153	-	22,153
	<b>105,136</b>	-	<b>105,136</b>
Assets held for sale	832	-	832
<b>Total assets</b>	<b>241,942</b>	<b>(5,172)</b>	<b>236,770</b>
<b>EQUITY</b>			
<b>Shareholders' equity</b>			
Called up share capital	1,017	-	1,017
Share premium	89,508	-	89,508
Foreign currency translation reserve	9,434	-	9,434
Share option reserve	2,703	-	2,703
Merger reserve	5,340	-	5,340
Retained earnings	(461)	-	(461)
<b>Total equity</b>	<b>107,541</b>	-	<b>107,541</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Financial liabilities - borrowings			
Interest-bearing loans and borrowings	16,548	-	16,548
Deferred consideration	1,350	-	1,350
Deferred tax liabilities	9,548	(5,172)	4,376
	<b>27,446</b>	<b>(5,172)</b>	<b>22,274</b>
<b>Current liabilities</b>			
Trade and other payables	39,153	-	39,153
Right of return liabilities	10,613	-	10,613
Financial liabilities - borrowings			
Interest-bearing loans and borrowings	51,746	-	51,746
Invoice discounting	1,490	-	1,490
Deferred and contingent consideration	2,518	-	2,518
Tax payable	1,435	-	1,435
	<b>106,955</b>	-	<b>106,955</b>
<b>Total liabilities</b>	<b>134,401</b>	<b>(5,172)</b>	<b>129,229</b>

Total equity and liabilities	<b>241,942</b>	<b>(5,172)</b>	<b>236,770</b>
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The reconciliation of the restated Statement of Financial Position as at 31 December 2021 is shown below:

	<b>2021 £'000</b>	<b>Prior year adjustment £'000</b>	<b>2021 £'000 Restated</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	56,206	-	56,206
Intangible assets	40,298	-	40,298
Property, plant and equipment	18,182	-	18,182
Right-of-use assets	16,482	-	16,482
Investments in associate and joint venture	36	-	36
Deferred tax assets	9,281	(7,240)	2,041
	140,485	(7,240)	133,245
<b>Current assets</b>			
Inventories	41,199	-	41,199
Trade and other receivables	31,242	-	31,242
Tax receivables	2,566	-	2,566
Cash and cash equivalents	22,024	-	22,024
	97,031	-	97,031
Assets held for sale	-	-	-
<b>Total assets</b>	<b>237,516</b>	<b>(7,240)</b>	<b>230,276</b>
<b>EQUITY</b>			
<b>Shareholders' equity</b>			
Called up share capital	1,017	-	1,017
Share premium	89,508	-	89,508
Foreign currency translation reserve	3,206	-	3,206
Share option reserve	1,454	-	1,454
Merger reserve	5,340	-	5,340
Retained earnings	6,931	-	6,931
<b>Total equity</b>	<b>107,456</b>	<b>-</b>	<b>107,456</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Financial liabilities - borrowings			
Interest-bearing loans and borrowings	51,210	-	51,210
Deferred consideration	2,300	-	2,300
Deferred tax liabilities	15,184	(7,240)	7,944
	68,694	(7,240)	61,454
<b>Current liabilities</b>			
Trade and other payables	39,459	-	39,459
Right of return liabilities	8,215	-	8,215
Financial liabilities - borrowings			
Interest-bearing loans and borrowings	9,835	-	9,835
Invoice discounting	1,800	-	1,800
Tax payable	2,057	-	2,057
	61,366	-	61,366
<b>Total liabilities</b>	<b>130,060</b>	<b>(7,240)</b>	<b>122,820</b>
<b>Total equity and liabilities</b>	<b>237,516</b>	<b>(7,240)</b>	<b>230,276</b>

#### 18. Post balance sheet events

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

Since the balance sheet date, but before this financial information was approved, there were no further events that the Directors consider material to the users of this financial information.

The financial information previously set out does not constitute the Group's statutory financial statements for the years ended 31 December 2023 or 2022 but is derived from those financial statements. Statutory financial statements for 2022 have been delivered to the registrar of companies, and those for 2023 will be delivered in due course. The auditors have reported on those accounts; their report was:

- i. unqualified;
- ii. did not include references to any matters to which the auditors drew attention by way of emphasis



- without qualifying their report; and
- iii. did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

**Cautionary Statement**

This announcement contains forward looking statements which are made in good faith based on the information available at the time of its approval. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a number of risks and uncertainties that are inherent in any forward-looking statement which could cause actual results to differ materially from those currently anticipated. Nothing in this document should be regarded as a profits forecast.

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