

10 September 2024

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

Interim Results
Delivering operational efficiencies

INSPECS Group plc, a leading designer, manufacturer, and distributor of eyewear (sunglasses, optical frames, lenses and low vision products) presents its unaudited interim results for the six months ended 30 June 2024.

Financial review:

- As previously guided, revenue in the first half was below last year, decreasing by 7.3% to £103.0m (H1 2023: £111.2m) due to the one-off elevated level of sales in Q1 2023
- On a constant exchange rates basis¹, revenue decreased by 5.2% to £105.4m (H1 2023: £111.2m)
- Gross profit margin significantly improved by 100 basis points to 52.4% (H1 2023: 51.4%)
- Operating expenses decreased by 3.6% to £50.7m (H1 2023: £52.6m) due to the delivery of operational efficiencies
- As previously guided, Underlying EBITDA² reduced to £10.1m (H1 2023: £12.1m) following a decrease in revenue in the period, partially offset by cost savings
- Diluted Underlying EPS³ of 2.72p (H1 2023: 4.28p)
- Strong cash generation, with cash generated from operations £12.0m (H1 2023: £11.5m)
- Continued improvement in working capital, reduced by £2.4m (H1 2023: increased by £0.6m)
- Net debt excluding leases⁴ reduced by £4.4m in the six months to 30 June 2024 to £19.8m (31 December 2023: £24.2m)
- Whilst overall market conditions remain soft, H2 trading to date has exceeded the prior year, with the order book as at 31 August 2024 7% higher than 31 August 2023
- The Board is confident in meeting market expectations for the full year

Operational review:

- Successful launch of a key eyewear brand into all stores of a major global retailer
- Two major retail chains in the United States distributing additional brands from Q4 2024
- Leading optical retailer in Canada distributing a major brand in all stores from Q4 2024
- Travel retail revenue increased 45% as a result of a continued push into key global outlets
- Further operational efficiency gains through the successful integration of Inspects USA, including consolidation of warehousing facilities
- Construction of the new Vietnam manufacturing facility completed on time and on budget, with fit-out ongoing. The additional facility will enable us to increase manufacturing capacity and ensure better operational efficiencies from existing production
- Lenses segment revenue has increased by 22% compared to H1 2023 with an additional key account signed. The new leadership team is now embedded within Norville

1 Constant currency exchange rates: figures at constant currency exchange rates have been calculated using the average exchange rates in effect for the relevant comparative period (H1 2023).

2 Refer to table 'Underlying EBITDA and Underlying PAT'

3 Refer to note 5

4 Refer to note 8

Richard Peck, CEO of INSPECS, said:

"The Group has made steady progress during the period, with significantly improved gross profit margins delivered across all divisions and strong cash generation. We have achieved sustainable cost savings through the ongoing implementation of operational efficiencies, particularly in the US, and we will continue to undertake further initiatives during the second half.

"We have made good progress against our global distribution strategic pillar, evidenced through the agreement of new distribution and the expansion of existing partnerships with global retailers, as well as achieving revenue growth in travel retail. Despite ongoing challenges relating to inflationary pressures and the market readjusting after competitor acquisitions, the optical market remains resilient.

"Trading in the second half to date has exceeded the prior year and our order books are ahead of last year as of the end of August. It is expected that the reduction in net debt will accelerate in the second half due to reduced capital expenditure, following a period of increased investment in the new Vietnam manufacturing facility. Whilst we remain cautious in relation to market conditions and focused on the delivery of our cost saving initiatives and planned shipments in Q4, the Board is confident in meeting market expectations for the full year."

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About INSPECS Group plc

INSPECS is a leading provider of eyewear solutions to the global eyewear market. The Group produces a broad range of eyewear frames, low vision aids and lenses, covering optical, sunglasses and safety, which are either "Branded" (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, Europe, 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: www.INSPECS.com

CHIEF EXECUTIVE REVIEW

As previously communicated, revenue and EBITDA in the first half of 2024 were expected to be lower due to the one-off elevated level of sales in Q1 2023. The Group experienced a more normalised trading pattern in the period, the impact of which was compounded by the widely reported global inflationary pressures as well as the market readjusting to recent competitor acquisitions. As a result, the Group recorded revenue of £103.0m (H1 2023: £111.2m) and an Underlying EBITDA of £10.1m compared to £12.1m for the same period in 2023. Pleasingly, gross profit margin increased to 52.4% (H1 2023: 51.4%) as a result of improved operational efficiency and sales mix, with our continued focus on delivering operational efficiencies also reducing operating expenses by £1.9m to £50.7m from £52.6m.

Frames and Optics

Revenue within our Frames and Optics distribution business decreased 8.5% to £94.2m (H1 2023: £102.9m) however, gross profit margin improved by 150 basis points to 51.8% with increasing synergies being realised.

During the period the Group successfully launched a key brand into all stores of a major global retailer and agreed distribution with two major retail chains in the United States for additional brands from Q4 2024. The Group also agreed distribution with a leading optical retailer in Canada for a further major brand in all stores from Q4 2024.

There is also an opportunity to increase penetration globally through the worldwide distribution network that we are establishing. Notably our push into worldwide travel retail outlets is proving very successful as revenue from travel retail has increased 45% in the period and we will continue to expand our distribution into new global outlets in the second half.

The Group also successfully integrated Inspects USA's sales and warehousing facilities during the period, streamlining operations within this region.

Manufacturing

Revenue from the manufacturing business for H1 2024 was £9.0m, compared to £9.9m in H1 2023 but we expect to see increased activity in the second half with order books at 31 August 2024 exceeding those at 31 August 2023. Gross profit margin increased by 400 basis points to 46.2% in H1 due to increased sales of patented concept frames and reduced material costs.

Construction of our new manufacturing facility in Vietnam has been completed on time and on budget, and the fit-out of the facility is currently ongoing. Once manufacturing fully commences, this will increase the manufacturing capacity of the Group to circa 12 million units per year in the medium term and enhance the operational efficiency of existing production.

Lenses

Revenue from our lens manufacturing business increased 21.6% to £2.5m (H1 2023: £2.1m) and gross profit margin increased by 220 basis points to 42.3%. The new leadership team is well embedded, and growth has been delivered in both key accounts and independent sales channels, with a significant new key account signed and further negotiations ongoing.

Research and development

Significant progress continues to be made in relation to our smart eyewear range, alongside the development of additional innovative eyewear channels, resulting in further consultancy revenues during H1 2024. A new low vision aid will also be launched in the second half of 2024.

ESG

During the period, we have launched several impactful community projects, including a food bank initiative in Nuremberg, Germany aiming to tackle food waste and food insecurity in the local area, underscoring our commitment to making a meaningful difference in the local communities in which we operate. We also continued to refine our climate approach, holding several Steering Group meetings to enhance our management and reporting of climate-related risks and opportunities. Looking ahead, we remain dedicated to driving progress across our Group ESG Roadmap and continuously improving our strategies to address climate-related challenges and opportunities.

Outlook

As of 31 August, trading in the second half to date has exceeded the prior year and our order books are also 7% ahead. Whilst we remain cautious in relation to market conditions and we remain focused on delivery of our cost saving initiatives, we are confident in delivering on market expectations for the full year.

I would like to thank all our teams across the globe for their continuing hard work and dedication in achieving our long-term goal of developing INSPECS Group into one of the world's leading eyewear companies.

Richard Peck

FINANCIAL REVIEW**Revenue**

Revenue was £103.0m in the half, down from £111.2m in H1 2023, a decrease of 7.3%. On a constant exchange rate basis revenues decreased 5.2% to £105.4m from £111.2m (H1 2023).

Gross Profit Margin

The Group's gross profit margin increased to 52.4% in H1 2024 from 51.4% in H1 2023, driven by margin improvement in each of the reporting segments. The Group continues to actively manage its gross profit margin and is targeting further efficiencies.

Operating Profit

The Group's operating profit decreased 27.2% to £3.3m (H1 2023: £4.6m).

Administrative expenses

Administrative costs decreased by £1.5m to £47.8m in H1 2024 from £49.3m in H1 2023, driven by the Group's focus on operational efficiency.

Underlying EBITDA

The Group's Underlying EBITDA decreased from £12.1m in H1 2023 to £10.1m in H1 2024. Underlying EBITDA margin decreased from 10.8% in H1 2023 to 9.8% in H1 2024.

Finance Expenses

Net finance costs have risen marginally from £2.0m in H1 2023 to £2.1m in H1 2024 reflecting the increase in interest rates versus the prior period. Net finance costs include £0.1m (H1 2023: £0.1m) relating to the amortisation of capitalised loan arrangement fees.

Depreciation and amortisation

	Period ended 30 June 2024	Period ended 30 June 2023
	£m	£m
Depreciation	3.0	3.4
Amortisation	3.2	3.3
Total	6.2	6.7

The decrease in depreciation is split between owned and right of use assets.

Profit Before Tax

Profit before tax for the period was £1.3m (H1 2023: £3.8m), after a lower £0.2m gain on exchange relating to borrowings, compared to a gain of £1.2m in H1 2023.

Tax charge

The tax charge for the period of £2.4m (H1 2023: £1.7m) is driven by a current tax charge of £2.2m (H1 2023: £2.2m) and a deferred tax charge of £0.1m (H1 2023: £0.5m credit). The credit in H1 2023 is driven by the unwinding of deferred tax balances arising on acquisitions.

Cash Generation

The Group generated cash from operations of £12.0m (H1 2023: £11.5m) reflecting continual improvements in working capital efficiency of the Group.

Net Debt

The Group has again delivered strong cash generation in the first half and as a result, net debt (excluding leases) reduced by £4.4m to £19.8m as at 30 June 2024 (31 December 2023: £24.2m). During the period, the Group invested £1.8m on the purchase of tangible and intangible owned assets, including fit out costs for the new Vietnam facility, and paid a further £1.9m of deferred and contingent consideration relating to the EGO and BoDe acquisitions. The reduction in net debt of the group is expected to accelerate in future periods as cash flows used in investing activities returns to usual levels.

Financing

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

	Expires	Balance at 30 June 2024 £m	Balance at 31 December 2023 £m
Group revolving credit facility	October 2025	28.8	29.2
Term loans	October 2025	6.3	7.7
Revolving credit facility USA	1-year rolling	7.4	6.5
Invoice discounting	1-year rolling	1.8	0.9
Other		0.1	-
Total		44.4	44.3

Leverage (using debt to equity ratio)

The Group's leverage position is shown below:

	30 June 2024
Actual ratio	1.63
Required ratio	2.25

The Group remains within its banking covenants and forecasts that, subject to market conditions, it will continue to remain within banking covenants for the length of the arrangement.

Inventory

Our revenue to inventory ratio has remained consistent compared to 30 June 2023.

	Period ended 30 June 2024 £m	Period ended 30 June 2023 £m
Revenue	103.0	111.2
Inventory	39.7	42.3
Revenue to inventory ratio	2.6	2.6

Current asset ratio

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations, or those due within one year. This has remained consistent on the comparative period.

	Period ended 30 June 2024 £m	Period ended 30 June 2023 £m
Current Assets	97.3	107.4
Current Liabilities	67.3	69.7
Ratio	1.4	1.5

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. This has remained consistent on the comparative period.

	Period ended 30 June 2024 £m	Period ended 30 June 2023 £m
Current Assets	97.3	107.4
Less Inventory	(39.7)	(42.3)
	57.6	65.1
Current Liabilities	67.3	69.7
Ratio	0.9	0.9

Net working capital

	Period ended 30 June 2024 £m	Period ended 30 June 2023 £m
Trade and other receivables	33.0	37.4
Inventory	39.7	42.3
Trade and other payables	(35.5)	(38.9)
Net working capital	37.2	40.8
Working capital as a percentage of revenue	36.1%	36.7%

Net working capital has reduced following a reduction of the inventory base and improved receivables collection.

Earnings per Share

The Group's Basic Underlying EPS for the 6 months to 30 June 2024 was 2.86p compared to 4.53p for the 6 months to 30 June 2023.

Dividend

The Group does not currently intend to pay a dividend in relation to 2024. The Board continues to review its dividend policy on a regular basis.

Underlying EBITDA and Underlying PAT

The below table shows how Underlying EBITDA and Underlying PAT are calculated:

	6 months ended 30 June 2024 £'000	6 months ended 30 June 2023 £'000	12 months ended 31 December 2023 £'000
Revenue	103,047	111,199	203,292
Gross Profit	54,012	57,147	103,547
Operating expenses	(50,696)	(52,592)	(100,659)
Operating profit	3,316	4,555	2,888
Add back: Amortisation	3,221	3,252	6,910
Add back: Depreciation	2,969	3,361	6,129
EBITDA	9,506	11,168	15,927
Add back: Share based payment expense	206	526	972
Add back: Earn out on acquisition	380	366	1,140
Underlying EBITDA	10,092	12,060	18,039
Less: Depreciation	(2,969)	(3,361)	(6,129)
Less: Net interest (excluding amortisation of loan arrangement fees)	(1,987)	(1,846)	(3,774)

Underlying Profit Before Tax (PBT)	5,136	6,853	8,136
	(2,233)	(2,248)	(2,932)
Current tax charge			
Underlying Profit After Tax (PAT)	2,903	4,605	5,204
Underlying EPS	Pence	Pence	Pence
Basic Underlying EPS for the period attributable to the equity holders of the parent	2.86	4.53	5.12
Diluted Underlying EPS for the period attributable to the equity holders of the parent	2.72	4.28	4.85

Underlying EBITDA segmental information

Underlying EBITDA by reportable segment (as defined in note 4) for the six months ended 30 June 2024 is as follows:

	Frames & Optics	Manufacturing	Lenses	Total before adjustments & eliminations	Adjustments & elimination	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	94,169	9,028	2,516	105,713	(2,666)	103,047
Operating profit/(loss)	5,586	1,222	(1,196)	5,612	(2,296)	3,316
Add back:						
Amortisation	2,897	43	9	2,949	272	3,221
Depreciation	2,374	250	262	2,886	83	2,969
Share based payments	39	90	-	129	77	206
Earn out on acquisitions	380	-	-	380	-	380
Underlying EBITDA	11,276	1,605	(925)	11,956	(1,864)	10,092

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

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the period ended 30 June 2024

Unaudited
6 months ended
30 June 2024

Unaudited
6 months ended
30 June 2023

	Notes	£'000	£'000
REVENUE	4	103,047	111,199
Cost of sales		(49,035)	(54,052)
GROSS PROFIT		54,012	57,147
Distribution costs		(2,944)	(3,328)
Administrative expenses		(47,752)	(49,264)
OPERATING PROFIT		3,316	4,555
Non-underlying costs	9	(94)	-
Exchange adjustments on borrowings		155	1,210
Share of loss of associates		(2)	(4)
Finance costs		(2,146)	(2,103)
Finance income		94	145
PROFIT BEFORE INCOME TAX		1,323	3,803
Income tax		(2,350)	(1,720)
(LOSS)/PROFIT FOR THE PERIOD		(1,027)	2,083
OTHER COMPREHENSIVE LOSS:			
Exchange adjustment on consolidation		(756)	(3,973)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(1,783)	(1,890)
(Loss)/earnings per share		Pence	Pence
Basic EPS for the period attributable to the equity holders of the parent	5	(1.01)	2.05
Diluted EPS for the period attributable to the equity holders of the parent	5	(1.01)	1.94

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2024

Note	Unaudited As at 30 June 2024 £'000	Unaudited As at 30 June 2023 Restated £'000	As at 31 December 2023 £'000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	55,743	55,578	55,578
Intangible assets	26,930	32,248	29,813
Property Plant and equipment	34,718	33,840	35,600
Investment in associates	97	105	98
Deferred tax	2,576	2,103	2,826
	120,064	123,874	123,915
CURRENT ASSETS			
Inventories	39,679	42,349	40,848
Trade and other receivables	32,974	37,432	35,855
Tax receivable	74	1,719	386
Cash and cash equivalents	24,616	25,862	20,070
	97,343	107,362	97,159
Assets held for sale	832	832	832
TOTAL ASSETS	218,239	232,068	221,906

EQUITY**SHAREHOLDERS' EQUITY**

Called up share capital	1,017	1,017	1,017
Share premium	89,508	89,508	89,508
Foreign currency translation reserve	4,679	5,461	5,435
Share option reserve	3,428	3,153	3,222
Merger reserve	5,340	5,340	5,340
Retained earnings	(2,032)	1,698	(1,005)
TOTAL EQUITY	101,940	106,177	103,517

LIABILITIES**NON-CURRENT LIABILITIES**

Financial liabilities - borrowings			
Interest bearing loans and borrowings	45,605	51,525	48,234
Deferred consideration	-	652	652
Deferred tax	3,427	3,969	3,647
	49,032	56,146	52,533

CURRENT LIABILITIES

Trade and other payables	35,463	38,921	36,375
Right of return liability	11,222	11,862	11,297
Financial liabilities - borrowings			
Interest bearing loans and borrowings	14,276	13,140	13,000
Invoice discounting	1,804	2,089	887
Deferred and contingent consideration	1,231	1,333	2,111
Tax payable	3,271	2,400	2,186
	67,267	69,745	65,856
TOTAL LIABILITIES	116,299	125,891	118,389
TOTAL EQUITY AND LIABILITIES	218,239	232,068	221,906

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the period ended 30 June 2024**

	Called up share capital	Share premium	Foreign currency translation reserve	Share option reserve	Retained earnings	Merger reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
SIX MONTHS ENDED 30 JUNE 2024							
Balance at 1 January 2024	1,017	89,508	5,435	3,222	(1,005)	5,340	103,517
Loss for the period	-	-	-	-	(1,027)	-	(1,027)
Other comprehensive loss	-	-	(756)	-	-	-	(756)
Total comprehensive loss	-	-	(756)	-	(1,027)	-	(1,783)
Share-based payment charge	-	-	-	206	-	-	206
Balance at 30 June 2024 (unaudited)	1,017	89,508	4,679	3,428	(2,032)	5,340	101,940

SIX MONTHS ENDED 30 JUNE 2023

Balance at 1 January 2023	1,017	89,508	9,434	2,703	(461)	5,340	107,541
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Profit for the period	-	-	-	-	2,083	-	2,083
Other comprehensive loss	-	-	(3,973)	-	-	-	(3,973)
Total comprehensive loss	-	-	(3,973)	-	2,083	-	(1,890)
Share-based payment charge	-	-	-	526	-	-	526
Share options forfeited	-	-	-	(76)	76	-	-
Balance at 30 June (unaudited)	20231,017	89,508	5,461	3,153	1,698	5,340	106,177

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW
For the period ended 30 June 2024

	Unaudited 6 months ended 30 June 2024 £000	Unaudited 6 months ended 30 June 2023 £000
Cash flows from operating activities		
Profit before income tax	1,323	3,803
Depreciation charges	2,969	3,361
Amortisation charges	3,221	3,252
Share based payments	206	526
Earn out on acquisitions	-	366
Exchange adjustments on borrowings	(155)	(1,210)
Share of loss from associate	2	4
Finance costs	2,146	2,103
Finance income	(94)	(145)
	9,618	12,060
Decrease in inventories	1,202	5,809
Decrease/(increase) in trade and other receivables	2,921	(5,503)
Decrease in trade and other payables	(1,712)	(866)
Cash generated from operations	12,029	11,500
Interest paid	(2,081)	(1,831)
Tax paid	(783)	(1,248)
Net cash flow from operating activities	9,165	8,421
Cash flows used in investing activities		
Purchase of intangible fixed assets	(631)	(124)
Purchase of property plant and equipment	(1,206)	(1,361)
Acquisition of subsidiary, net of cash acquired	(129)	-
Cash paid in relation to deferred consideration	(700)	-
Interest received	94	145
Net cash flows used in investing activities	(2,572)	(1,340)
Cash flow from financing activities		
Bank loan principal repayments in period	(1,712)	(1,010)
Proceeds from borrowings	1,265	-
Movement in invoice discounting facility	917	599
Loan transaction costs	(224)	(70)
Principal payments on leases	(1,849)	(1,999)
Net cash flows used in financing activities	(1,603)	(2,480)
Net increase in cash and cash equivalents	4,990	4,601
Cash and cash equivalents at beginning of the period	20,070	22,153
Net foreign currency movements	(444)	(892)
Cash and cash equivalents at end of period	24,616	25,862

1. GENERAL INFORMATION

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

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

2. ACCOUNTING POLICIES

Going concern

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

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

- The Group further improved its cash position during the period with net debt including leases decreasing to £37.1m from £42.1m at 31 December 2023.
- Cash generated from operations in the period amounted to £12.0m (2023 H1: £11.5m).
- The Group balance sheet has net assets of £101.9m and net current assets of £30.1m.

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

- Ensuring continuation of its supply chain, building on the benefit of having its own manufacturing sites and by securing alternative third-party supply lines.
- Maintaining geographical sales diversification, focusing sales to online customers and seeking new revenue streams around the globe.
- Ability to service both the major global retail chains and significant distribution to the independent eyewear market following the acquisitions completed over recent periods.

Banking facilities

The Group's banking facilities are due for renewal in October 2025. The Group is currently discussing with its lender to renew the facilities to mature no earlier than October 2028, with an expectation that the new facility will be agreed by the end of December 2024.

Basis of preparation

The interim consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting and with accounting policies that are consistent with the Group's Annual Report and Financial Statements for the period ended 31 December 2023. Accounting policies are included in detail within the latest Annual Report.

The financial information for the period ended 30 June 2024 and the comparative financial information for the period ended 30 June 2023 in this interim report does not constitute statutory accounts for either period under section 434 of the Companies Act 2006 and are unaudited.

NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)

For the period ended 30 June 2024

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimation uncertainty

In addition to the going concern section of note 2, the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below.

Right of return liability

Management applies assumptions in determining the right of return liability and the associated right of return asset. These assumptions are based on analysis of historical data trends but require estimation of appropriate time periods and expected return rates. The right of return liability at the period end is £11,222,000 (31 December 2023: £11,297,000) in line with the calculation methodology used as at 31 December 2023.

4. SEGMENT INFORMATION

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

- Frames and Optics product distribution.
- 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.

NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)
For the period ended 30 June 2024

4. SEGMENT INFORMATION (CONTINUED)

The reportable segments subject to disclosure are consistent with the organisation model adopted by the Group during the six months ended 30 June 2024 are as below:

	Frames and Optics	Manufacturing	Lenses	Total before adjustments & eliminations	Adjustments & elimination	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue						
External	92,009	8,453	2,441	102,903	144	103,047
Internal	2,160	575	75	2,810	(2,810)	-
	<u>94,169</u>	<u>9,028</u>	<u>2,516</u>	<u>105,713</u>	<u>(2,666)</u>	<u>103,047</u>
Cost of sales	<u>(45,379)</u>	<u>(4,859)</u>	<u>(1,451)</u>	<u>(51,689)</u>	<u>2,654</u>	<u>(49,035)</u>
Gross profit/(loss)	48,790	4,169	1,065	54,024	(12)	54,012
Expenses	<u>(43,204)</u>	<u>(2,947)</u>	<u>(2,261)</u>	<u>(48,412)</u>	<u>(2,284)</u>	<u>(50,696)</u>
Operating profit/(loss)	<u>5,586</u>	<u>1,222</u>	<u>(1,196)</u>	<u>5,612</u>	<u>(2,296)</u>	<u>3,316</u>
Non-underlying costs						(94)
Exchange adjustment on borrowings						155
Share of loss of associates						(2)
Finance costs						(2,146)
Finance income						94
Taxation						(2,350)
Loss for the period						<u>(1,027)</u>

Reported segments relating to the balance sheet as at 30 June 2024 are as follows:

	Frames and Optics	Manufacturing	Lenses	Total before adjustments & eliminations	Adjustments & elimination	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Total assets	325,169	59,578	10,329	395,076	(179,413)	215,663
Total liabilities	<u>(183,004)</u>	<u>(5,107)</u>	<u>(16,395)</u>	<u>(204,506)</u>	<u>156,590</u>	<u>(47,916)</u>
	<u>142,165</u>	<u>54,471</u>	<u>(6,066)</u>	<u>190,570</u>	<u>(22,823)</u>	<u>167,747</u>
Deferred asset tax						2,576
Deferred liability tax						(3,427)
Current liability tax						(3,271)
Borrowings						(61,685)
Group net assets						<u>101,940</u>

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

NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)
For the period ended 30 June 2024

4. SEGMENT INFORMATION (CONTINUED)

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

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

Reported segments relating to the balance sheet as at 31 December 2023 are as follows:

	Frames and Optics	Manufacturing	Lenses	Total before adjustments & eliminations £'000	Adjustments & elimination £'000	Total £'000
Total assets	320,836	64,585	9,672	395,093	(176,013)	219,080
Total liabilities	<u>(182,225)</u>	<u>(5,543)</u>	<u>(14,408)</u>	<u>(202,176)</u>	<u>151,741</u>	<u>(50,435)</u>
	<u>138,611</u>	<u>59,042</u>	<u>(4,736)</u>	<u>192,917</u>	<u>(24,272)</u>	<u>168,645</u>
Deferred tax asset						2,826
Deferred tax liability						(3,647)
Current tax liability						(2,186)
Borrowings						<u>(62,121)</u>
Group net assets						<u>103,517</u>

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

NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued) For the period ended 30 June 2024

4. SEGMENT INFORMATION (CONTINUED)

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

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

Adjusted items relate to elimination of all intra-Group items including any profit adjustments on intra-Group revenues that are eliminated on consolidation, along with the profit and loss items of the parent company.

Adjusted items in relation to segmental assets and liabilities relate to the elimination of all intra-Group balances and investments in subsidiaries, and assets and liabilities of the parent company.

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

Geographical analysis

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

Unaudited 6 months ended 30 June 2024	Unaudited 6 months ended 30 June 2023
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	£'000	£'000
United Kingdom	12,971	13,621
Europe (excluding UK)	48,527	52,161
North America	35,398	37,428
South America	822	1,315
Asia	1,830	2,993
Australia	3,342	3,515
Other	157	166
	103,047	111,199

5. EARNINGS PER SHARE

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

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, to the extent that the inclusion of such shares is not anti-dilutive. During the period to 30 June 2024 the Group made a reported loss after tax; therefore, diluted EPS is not applicable as the impact of potential ordinary shares is anti-dilutive.

NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued) For the period ended 30 June 2024

5. EARNINGS PER SHARE (continued)

Reported Basic earnings per share is (1.01)p (30 June 2023: 2.05p), with reporting diluted earnings per share of (1.01)p (30 June 2023: 1.94p). The below table reflects the income and share data used in the basic and diluted EPS calculations. Earnings for the Underlying EPS are the 'Underlying Profit After Tax' as shown in the table 'Underlying EBITDA and Underlying PAT'.

6 months ended 30 June 2024	Basic weighted average number of Ordinary Shares (^{'000})	Total earnings (£'000)	Earnings per share (pence)
Basic EPS	101,672	(1,027)	(1.01)
Diluted EPS	106,824	(1,027)	(1.01)
Basic Underlying EPS	101,672	2,903	2.86
Diluted Underlying EPS	106,824	2,903	2.72

6 months ended 30 June 2023	Basic weighted average number of Ordinary Shares (^{'000})	Total earnings (£'000)	Earnings per share (pence)
Basic EPS	101,672	2,083	2.05
Diluted EPS	107,492	2,083	1.94
Basic Underlying EPS	101,672	4,605	4.53
Diluted Underlying EPS	107,492	4,605	4.28

12 months ended 31 December 2023	Basic weighted average number of Ordinary Shares (^{'000})	Total earnings (£'000)	Earnings per share (pence)
Basic EPS	101,672	(997)	(0.98)
Diluted EPS	107,246	(997)	(0.98)
Basic Underlying EPS	101,672	5,207	5.12
Diluted Underlying EPS	107,246	5,207	4.85

Within INSPECS Group plc, each Ordinary share carries the right to participate in distributions, as respects dividends

and as respects capital on winding up.

NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)
For the period ended 30 June 2024

6. TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2024 £'000	Unaudited As at 30 June 2023 Restated £'000	As at 31 December 2023 £'000
Trade receivables	24,717	26,298	24,168
Prepayments	1,984	3,381	2,193
Other receivables	6,273	7,753	9,494
	32,974	37,432	35,855

7. TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2024 £'000	Unaudited As at 30 June 2023 £'000	As at 31 December 2023 £'000
Trade payables	22,901	23,715	21,368
Social security and other taxes	3,143	4,723	3,379
Royalties	2,669	3,216	4,255
Accruals	6,750	7,267	7,373
	35,463	38,921	36,375

8. NET DEBT

	Unaudited As at 30 June 2024 £'000	Unaudited As at 30 June 2023 £'000	As at 31 December 2023 £'000
Cash and cash equivalents	24,616	25,862	20,070
Interest bearing borrowings excl. leases	(42,628)	(46,449)	(43,383)
Invoice discounting	(1,804)	(2,089)	(887)
Net debt excluding leases	(19,816)	(22,676)	(24,200)
Lease liability	(17,253)	(18,216)	(17,851)
Net debt including leases	(37,069)	(40,892)	(42,051)

NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)
For the period ended 30 June 2024

9. NON-UNDERLYING COSTS

Non-underlying costs during the six months to 30 June 2024 relate to costs associated with the acquisition of A-Optikk AS during the period (£22,000) and restructuring costs in relation to the integration of Inspeks USA with Tura (£72,000).

10. SHARE-BASED PAYMENTS

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

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

Share options outstanding at the end of the period have the following expected lives and exercise prices:

Grant date	Expected life of options	Exercise price per option £	Number of share options
11 October 2019	3-5 years	1.01	412,102
27 February 2020	3-5 years	1.95	1,923,110
22 December 2020	3-5 years	2.10	890,000

	3-5 years	2.50	888,000
26 February 2021	3-5 years	3.25	641,036
21 June 2021	3-5 years	3.51	90,000
31 August 2021	3-5 years	3.70	275,000
23 December 2021	3-5 years	3.70	279,999
28 February 2022	3-5 years	3.75	641,036

11. RESTATED STATEMENT OF FINANCIAL POSITION

The 2023 Annual Report and Accounts included a restated Statement of Financial Position for the year to 31 December 2022 relating to a prior year adjustment concerning the offsetting of deferred tax assets and liabilities (see note 35 of the 2023 Annual Report and Accounts). The 30 June 2023 comparative Statement of Financial Position has therefore also been restated within these interims, as below. In addition, the treatment of a receivable associated with a sublease has been restated below, such that it aligns with the treatment within the 2023 Annual Report and Accounts.

NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued) For the period ended 30 June 2024

	As Reported as at 30 June 2023 £'000	Adjustments £'000	As at 30 June 2023 Restated £'000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	55,578	-	55,578
Intangible assets	32,248	-	32,248
Property Plant and equipment	33,840	-	33,840
Investment in associates	105	-	105
Net investment - sublease	675	(675)	-
Deferred tax	6,337	(4,234)	2,103
	<u>128,783</u>	<u>(4,909)</u>	<u>123,874</u>
CURRENT ASSETS			
Inventories	42,349	-	42,349
Trade and other receivables	36,647	785	37,432
Net investment - sublease	110	(110)	-
Tax receivable	1,719	-	1,719
Cash and cash equivalents	25,862	-	25,862
	<u>106,687</u>	<u>675</u>	<u>107,362</u>
Assets held for sale	<u>832</u>	<u>-</u>	<u>832</u>
TOTAL ASSETS	<u>236,302</u>	<u>(4,234)</u>	<u>232,068</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	1,017	-	1,017
Share premium	89,508	-	89,508
Foreign currency translation reserve	5,461	-	5,461
Share option reserve	3,153	-	3,153
Merger reserve	5,340	-	5,340
Retained earnings	<u>1,698</u>	<u>-</u>	<u>1,698</u>
TOTAL EQUITY	<u>106,177</u>	<u>-</u>	<u>106,177</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	51,525	-	51,525
Deferred consideration	652	-	652
Deferred tax	8,203	(4,234)	3,969
	<u>60,380</u>	<u>(4,234)</u>	<u>56,146</u>
CURRENT LIABILITIES			
Trade and other payables	38,921	-	38,921
Right of return liability	11.862	-	11.862

Financial liabilities - borrowings			
Interest bearing loans and borrowings	13,140	-	13,140
Invoice discounting	2,089	-	2,089
Deferred and contingent consideration	1,333	-	1,333
Tax payable	2,400	-	2,400
	69,745	-	69,745
TOTAL LIABILITIES	130,125	-	125,891
TOTAL EQUITY AND LIABILITIES	236,302	(4,234)	232,068

NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)
For the period ended 30 June 2024

12. POST BALANCE SHEET EVENTS

Since the end of the interim period on 30 June 2024 there were no material events that the directors consider material to the users of these interim statements.



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