12 May 2020

Inspecs Group plc
("Inspecs" or "the Group")

Final Results

Inspecs Group plc, a designer, manufacturer and distributor of eyewear frames to global retail chains, announces its Final Results for the year ended 31 December 2019.

Group Highlights

- Group revenue increased 6.9% to $61.25m (2018: $57.30m)
- Underlying EBITDA increased 9.4% to $12.99m (2018: $11.87m)
- Profit Before Tax increased 102.4% to $7.35m (2018: $3.63m)
- Basic EPS increased 84.0% to $16.38c (2018: $8.90c)
- Diluted EPS increased 81.8% to $14.80c (2018: $8.14c)
- Manufactured 4.55m eyewear frames, up 19.7% (2018: 3.80m)
- Expansion of Vietnam factory from 4,300 square metres to 8,800 square metres

Post Period End

- Successful flotation on the London Stock Exchange's Alternative Investment Market (AIM) in February 2020
- Appointed Angela Farrugia to the Board as a Non-Executive Director on 12 May 2020
- Winner of the Queen's Award for Enterprise: International Trade for Outstanding Short-Term Growth in overseas sales

Robin Totterman, CEO of Inspecs said:

"*This was a milestone year for Inspecs as we successfully listed on AIM and continued to make significant progress with our growth strategy, culminating in a strong set of results.*

"Despite this pleasing performance, in recent months our focus as a management team and across the business has of course been squarely on managing the impact of COVID-19 on our operations. We have taken a number of actions to reduce costs, preserve cash and protect our balance sheet and we are confident that we have a robust liquidity position which will see us through the challenges ahead.

"Our number one priority at all times has been the health, safety and wellbeing of our brilliant people and I am proud of the way our core values have shone through. Nowhere was this better demonstrated than by the speed at which we diverted production to supply safety eyewear to frontline medical professionals in the NHS.

"Over the long term, the structural growth drivers in the $131 billion global eyewear market remain unchanged and people will still require vision correction. Our resilient vertically integrated business model and manufacturing capabilities combined with the innovation of our design teams and the strength of our customer relationships, leaves us well positioned to benefit from the recovery as a leaner, more efficient business."

For further information please contact:

Inspecs Group plc	**via FTI Consulting**
Robin Totterman (CEO)	**Tel: +44 (0) 20 3727 1000**
Chris Kay (CFO)	
Peel Hunt (Nominated Adviser and Broker)	**Tel: +44 (0) 20 7418 8900**
Adrian Trimmings	
George Sellar	
Andrew Clark	
Will Bell	
FTI Consulting (Financial PR)	**Tel: +44 (0) 20 3727 1000**
Alex Beagley	
James Styles	
Fern Duncan	
Alice Newlyn	

About Inspecs Group plc

Inspecs is a designer, manufacturer and distributor of eyewear frames. The Group produces a broad range of frames, covering optical, sunglasses and safety, which are either "Branded" (either under licence or under the Group's own proprietary brands), or "OEM" (including private label on behalf of retail customers and un-branded). As one of only a few companies that can offer this one-stop-shop solution to global retail chains, Inspecs is well positioned to continue to take market share in the globally expanding eyewear market.

Inspecs customers include global optical and non-optical retailers, global distributors and independent opticians, with its distribution network covering over 80 countries and reaching approximately 30,000 points of sale. In FY19, the Group generated 24.9 per cent. of its revenue in the UK and 75.1 per cent. internationally.

Today Inspecs has operations across the globe: with offices in the UK, Portugal, Scandinavia, the US and China (Hong Kong, Macau and Shenzhen), and manufacturing facilities in Vietnam, China, London and more recently, Italy.

The Group's growth strategy going forward is to: (i) continue to grow organically; (ii) undertake further acquisitions (and drive value through leveraging the Group's internal capabilities); and (iii) extend the Group's manufacturing capacity.

CHAIRMAN'S STATEMENT

Overview

During 2019 the Group continued to grow its operations around the world. The Group has continued to use its vertically integrated model and substantially increased its own internal manufacturing from 3.80 million frames to 4.55 million frames, an increase of 19.7%.

The Group has continued to seek new distribution and now operates in over 80 countries and has access to over 30,000 optical outlets, cementing its position as a global eyewear group capable of delivering eyewear solutions to global chains.

Results

The Group achieved a pleasing result in FY19 with a revenue increase of 6.9% to $61.25m from $57.30m in 2018. Strong control of costs meant that operating margins improved with underlying EBITDA increasing by $1.12m to $12.99m, an increase of 9.4%.

Strategy

The growth strategy remains the same with continued integration of production and utilising the technical expertise of its manufacturing sites to offer a one-stop solution on both branded and OEM eyewear products to the global chains. The Group will continue to search for strategic acquisitions and partnerships at the appropriate time.

People

The heart of any company is the people that work in it. I've been a Director of many companies and I've always spent time with the staff. Our Company has amazing people. They are the heartbeat of this Company, and we're well set up now with a strong founder-led Board and an excellent management team to face all the challenges that now lie ahead of us as a plc. I am particularly impressed with the way that all employees across the globe in multiple time zones and many different languages and cultures are united in their daily efforts to improve the Group and move it forward.

Dividend

Due to the economic landscape the Group will not be recommending a dividend at this time but will keep this under review.

Outlook

I would like to welcome all new shareholders to the Group. Having completed the major acquisition of its manufacturing facilities on the 9 February 2017, in just over three years the Group has now successfully been admitted to the AIM market. It is unfortunate that the current economic landscape has been disrupted by COVID-19 and the Group has taken strenuous efforts to ensure the safety of all its employees and facilities as a priority. The pace at which the executive team has delivered over the last two years will, I am sure, continue once the uncertain business environment becomes clearer.

The Lord MacLaurin of Knebworth
Chairman

CHIEF EXECUTIVE'S REPORT

This has been a year of significant progress for the Group. Revenue grew by 6.9% from $57.30m to $61.25m and the underlying EBITDA grew by 9.4% from $11.87m to $12.99m. We further refined our business model and all channels achieved growth, whilst a focus on cost efficiency resulted in an improved EBITDA margin.

I would like to thank the whole team for their enthusiasm and tireless commitment, without which these results would not have been possible.

On the 27th February 2020 the Group was admitted to the AIM market and I am delighted to welcome all new shareholders to the Group. Clearly at the date of this report the eyewear industry is facing economic challenges as a result of COVID-19. However, with the successful launch on AIM, the Group is well positioned to look for future growth opportunities as they arise and has a strong balance sheet to weather the economic turbulence.

Sales Channel Review

Our vertically integrated model continues to work well: each channel supports the others.

The Group continues to expand its presence in the optical market and new customers are drawn to our one-stop vertically integrated model that allows us to supply both branded and OEM optical products to global chains. The continued expansion of Vietnam allows further products to be supplied tariff-free into the Americas and diversify risk for many global chains as part of their ongoing supply chain review. Whilst the Group is not the biggest in the industry, we are now positioned to offer a complete diverse eyewear solution to global chains.

Manufacturing Investment

The Group has continued to invest in its manufacturing capabilities. Our factory in Vietnam has been expanded from 4,300 square metres to 8,800 square metres enabling capacity to grow from 3.2 million frames produced in 2019 to circa 7 million frames in the future. Despite some delays caused by COVID-19 the expansion is nearing completion and production should start around the end of Q2 of 2020. The local workforce is highly motivated by this expansion and the investment in new machinery.

We continue to invest in automated machinery in China to keep the employee numbers at around the same level but expand capacity. The demand for high quality titanium frames continues.

The Chinese factory is also the source of technical expertise with over 20 years of manufacturing knowledge that has allowed the Group to develop in Vietnam and I am grateful for the technical skills that they bring to the Group as whole.

The Group has started to produce frames in its new Cadore factory in Italy which will form part of the Group's high-end market offering.

Acquisitions

The Group continues to actively engage in potential expansion via acquisitions. However due to the current economic situation as a result of COVID-19 the timing of potential acquisitions may be delayed until the market picture becomes clearer.

Appointments

I am pleased to report that we have hired several exceptional individuals to the Company. As a NED, Richard Peck, formerly Managing Director of Luxottica retail, brings us an insight from the largest player in the industry and over 30 years optical retail expertise.

Steve Tulba, formerly MD of Mondottica and a Board member of the Vision Council of America, joins as our Chief Commercial Officer and Martin Bates joins us from Luxottica via Marcolin as our Sales Director.

We are delighted to welcome Angela Farrugia, founder of The Licensing Company, subsequently acquired by the Li & Fung conglomerate, who joins the Board as a NED. Her expertise of marketing and brand licensing will be invaluable.

Current outlook

In light of the current situation, we have decided not to pay a dividend until the full effects of the pandemic on the business are known.

The Executive Directors have taken a 60% cut to their salaries, and we have implemented a four-day week with a 20% cut in salaries across UK and USA locations until further notice.

Our factories in China and Vietnam are almost back to full production capacity, although most of our customers have been forced to close during the lockdown. Opticians were among the first to be closed due to the close proximity to their customers. Shipping to key accounts is proving to be a challenge, as their distribution centres are currently closed.

Although our factories are continuing to produce existing orders received in the early part of the year, the continued lack of sales by our locked-down retail customers means that stock levels remain static, and requests for delays in delivering stock are more frequent. Where we can ship stock by sea, we do so, as it saves cost and adds four weeks to the lead time which will help phase in the new collections at an appropriate time for the market.

We expect a very active Q4 and possibly Q3 when the effects of the virus on the industry will be clearer. People will still need vision correction, and the likelihood is that there will be greater demand from more value-driven retailers, which encompasses our main key accounts.

Our design teams in the UK, Portugal and HK continue to produce new designs, which are being prototyped in time for the recovery. Many companies in our sector are simply delaying the seasons, but we have taken the decision to power though with new collections appropriate to the seasons to come including several value house brands.

We have managed to engage with a number of large new customers, who are planning to utilise our Vietnam factory for their 2021 collections. If this comes to fruition, we should see continued expansion of the Group in the future once the macro economic situation has returned to previous levels. This would mean that we would be well on track to double production in Vietnam, as well as increasing specialist titanium production in our Chinese facility.

Our focus has always been on being good to deal with, and remaining flexible, and during the early part of 2020 we have focused on supporting our clients and supply chain. It is our normal mode to constantly consider our costs, and we have further cut expenses where it is sensible to do so, to preserve cash and galvanise our resilience during a difficult time for the industry and wider economy. It is my belief that companies who stick to their core values and really live them throughout this crisis will emerge leaner, more efficient, and well-trusted by their customers.

Robin Totterman
Chief Executive Officer

FINANCIAL REVIEW

Revenue
Revenue grew by 6.9% during the year, an increase of $4.0m.

Gross Margin
The Group saw a slight fall in its gross margin from 45.2% to 45.0% during the year.

Net Operating Expenses
The Group enlisted the assistance and expertise of further personnel to ensure the Group would complete the strategic aim of listing on AIM market of the London Stock Exchange. Consequently, net operating expenses increased by $0.5m during the year, an increase of 3.7%.

Underlying EBITDA
The Group targets Underlying EBITDA as a primary KPI and during the year this increased by $1.1m, an increase of 9.4% despite revenue growth of 6.9%.

IPO COSTS
The Group incurred costs relating to Initial Public Offering of $2.8m.

Finance Expenses
The Group had a loan facility with HSBC which has now been replaced with a multi-currency revolving credit facility in February 2020. As at the date of this report the Group has drawn down $17m of the new facility and has undrawn headroom of $8m available.

Taxation
The effective rate across the Group for 2019 was 12% and for 2018 it was 3%.

Cash Position
The Group strengthened its cash position at the end of the year with cash increasing from $2.8m to $6.5m, an increase of $3.7m.

Long Term Borrowings
The Group's long term borrowings fell by $4.0m from $16.7m to $12.7m as at 31 December 2019.

Net Current Assets
The Group's net current assets increased by $3.2m from $0.5m to $3.7m.

Working Capital
The Group's working capital improved during the year with inventory as a percentage of revenue decreasing from 18.8% to 14.2%.

The Group's ratio of current assets to current liabilities improved from 1.02 to 1.15, an increase of 13%.

Earnings Per Share
The Group's basic earnings per share increased from $8.90 to $16.38, an increase of 84%. On a fully diluted basis the increase was from $8.14 to $14.80, an increase of 82%.

Underlying EBITDA
The below table shows how Underlying EBITDA is calculated:

	2019 $'000	2018 $'000
Revenue	61,247	57,295
Gross Profit	27,536	25,900
Operating and distribution expenses, net of other operating income	(19,591)	(16,883)
Operating profit	7,945	9,017

Movement in fair value on derivative	2,865	(2,871)
Operating profit/(loss) after movement in fair value on derivative	10,810	6,146
Add back: Amortisation	1,088	1,133
Add back: Depreciation	2,037	1,874
EBITDA	13,935	9,153
Add back: Share based payment expense	1,917	–
Less: Profit on sale of property	–	(157)
(Less)/add back: Movement in fair value on derivative	(2,865)	2,871
Underlying EBITDA	12,987	11,867
Operating profit	7,945	9,017
Initial public offering costs	(2,827)	–
Movement in fair value on derivative	2,865	(2,871)
Exchange adjustment on borrowings	715	(1,152)
Less: Net finance costs	(1,365)	(1,392)
Add: Share of associates profit	14	23
Profit before tax	7,347	3,625
Tax	(907)	(126)
Profit for the year	6,440	3,499

Chris Kay
Group Chief Financial Officer

12 May 2020

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2019

	Notes	2019 $'000	2018 $'000
Revenue	4	61,247	57,295
Cost of sales	7,10	(33,711)	(31,395)
GROSS PROFIT		27,536	25,900
Other operating income	5	133	177
Distribution costs		(635)	(642)
Administrative expenses	7,10	(19,089)	(16,418)
OPERATING PROFIT		7,945	9,017
Initial public offering costs	8	(2,827)	–
Movement in derivatives		2,865	(2,871)
Exchange adjustment on borrowings		715	(1,152)
Finance costs	9	(1,380)	(1,396)
Finance income	9	15	4
Share of profit of associates		14	23
PROFIT BEFORE INCOME TAX		7,347	3,625
Income tax	11	(907)	(126)
PROFIT FOR THE YEAR		6,440	3,499
Attributable to: Equity holders of the Parent		6,440	3,499
Earnings per share			
Basic profit for the year attributable to the equity holders of the Parent	12	$16.38	$8.90
Diluted profit for the year attributable to the equity holders of the Parent	12	$14.80	$8.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Non-current assets			
Goodwill		12,798	12,394
Intangible assets		17,482	17,859
Property, plant and equipment		10,320	8,944
Right of use asset		1,317	1,439
Investment in associates		53	40
Other receivables		–	42
Deferred tax		1,221	1,025
		43,191	41,743
Current assets			
Inventories		8,715	10,790
Trade and other receivables		12,875	13,754
Cash and cash equivalents		6,595	3,041
		28,185	27,585
Total assets		71,376	69,328
EQUITY			
Shareholders' equity			
Called up share capital		62	62
Share premium		21,628	21,628
Foreign currency translation reserve		1,031	1,030
Share option reserve		2,840	647
Retained earnings/(accumulated losses)		5,787	(653)
Total equity		31,348	22,714

	Notes	2019 $'000	2018 $'000
LIABILITIES			
Non-current liabilities			
Financial liabilities - borrowings			

Interest bearing loans and borrowings		12,651	16,677
Deferred tax		2,917	2,886
		15,568	19,563
Current liabilities			
Trade and other payables		10,192	11,126
Right of return liabilities	4	476	453
Financial liabilities – borrowings			
Interest bearing loans and borrowings		4,974	5,064
Bank overdrafts		93	207
Invoice discounting		2,577	1,602
Derivatives		3,536	6,296
Tax payable		2,612	2,303
		24,460	27,051
Total liabilities		40,028	46,614
Total equity and liabilities		71,376	69,328

The financial statements were approved by the Board of Directors on 12 May 2020.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Called up share capital $'000	Share premium $'000	Foreign currency translation reserve $'000	Share option reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2018	62	21,628	1,380	631	(4,152)	19,549
Changes in equity						
Profit for the year	–	–	–	–	3,499	3,499
Other comprehensive loss	–	–	(350)	–	–	(350)
Total comprehensive income	–	–	(350)	–	3,499	3,149
Share based payment	–	–	–	16	–	16
Balance at 31 December 2018	62	21,628	1,030	647	(653)	22,714
Changes in equity						
Profit for the year	–	–	–	–	6,440	6,440
Other comprehensive income	–	–	1	–	–	1
Total comprehensive income	–	–	1	–	6,440	6,441
Share based payment	–	–	–	2,193	–	2,193
Balance at 31 December 2019	62	21,628	1,031	2,840	5,787	31,348

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Profit before income tax		7,347	3,625
Depreciation charges		2,037	1,875
Amortisation charges		1,088	1,133
Profit on sale of property		–	(156)
Share of associates profit		(14)	(23)
Share based payment		1,917	15
Movement in fair value of derivatives		(2,875)	2,871
Exchange adjustment on borrowings		(715)	1,152
Finance costs	9	1,380	1,396
Finance income	9	(15)	(4)
		10,150	11,884
Increase/(decrease) in inventories		2,074	(76)
Increase/(decrease) in trade and other receivables		912	(2,541)
(Decrease)/increase in trade and other payables		(912)	(3,243)
Cash generated from operations		12,224	6,024
Interest paid		(1,609)	(1,211)
Tax paid		(22)	(399)
Net cash from operating activities		10,593	4,414
Cash flows from investing activities			
Purchase of intangible fixed assets		(161)	(177)
Purchase of property plant and equipment		(2,763)	(798)
Purchase of an associate undertaking		–	(18)
Sale of property plant and equipment		–	935
Interest received	9	15	4
Net cash used in investing activities		(2,909)	(54)
	Notes	2019 $'000	2018 Restated* $'000
Cash flow from financing activities			
New bank loans in the year		628	3,750

Bank loan principal repayments in year		(4,733)	(5,468)
Repayment of other loans		(72)	(717)
Transaction costs on debt refinancing		–	(648)
Movement in invoice discounting facility		975	141
Principal payments on leases		(836)	(681)
Net cash (used in) / from financing activities		(4,038)	(3,623)
Increase in cash and cash equivalents		3,646	737
Cash and cash equivalents at beginning of the year		2,834	2,050
Effect of foreign exchange rate changes		22	47
Cash and cash equivalents at end of year		6,502	2,834

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. GENERAL INFORMATION

INSPECS Holdings Limited is a private company limited by shares and is incorporated in England and Wales. The address of the Company's principal place of business is 7-10 Kelso Place, Upper Bristol Road, Bath BA1 3AU.

The principal activity of the Company and its subsidiaries (the "Group") in the year was that of design, production (from 2017), sale, marketing and distribution of high fashion eyewear and OEM products worldwide. The principal activity of the Company was that of a holding company.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Whilst the Group was not listed as at the year-end date, as of 27 February 2019 the Group was admitted onto the AIM market of the London Stock Exchange. Therefore, an Annual Report has been prepared under the same basis as that of a listed Group for the year ended 31 December 2019, with this forming the comparative for the listed accounts of the Group next year.

The consolidated financial statements have been prepared on a historical cost basis, except for share based payments that have been measured at fair value in accordance with IFRS 2 Share based payment and the derivative option over 'C' share measured at fair value in accordance with IFRS 9 Financial instruments.

The presentational currency for the consolidated and Parent Company financial statements is the United States Dollar (US$) rounded to the nearest thousand. The consolidated financial statements provide comparative information in respect of the year ended 31 December 2018.

Going Concern

Based on the Group's forecasts and taking account of the dynamic situation unfolding with COVID-19, the Directors have adopted the going concern basis in preparing the financial statements. In making this assessment, the Directors have made a current consideration of the potential impact of the COVID-19 pandemic on the cash flows and liquidity of the Group over the next 16 months.

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

- The Group improved its cash position during the year with cash and cash equivalents ending the year at $6.5m up from $2.8m as at 31 December 2018.
- The Group's net assets being $31.3m at the end of 2019, with a reduction in the Group's total borrowings from $22.1m to $19.0m.
- On the 27 February 2020 the Group took out a new multi-currency revolving credit facility with HSBC that allows the Group to draw down up to $25m under that facility. This allowed the Group to repay its existing borrowings and as at the date of this report the Group has undrawn facilities available under the RCF amounting to $8m.
- On the 27 February 2020 the Group was admitted to the AIM market of the London Stock Exchange and raised $30m in new cash pre IPO expenses, which together with the undrawn RCF facility and existing cash reserves gives the group a strong balance sheet to weather the macro economic disruption situation caused by COVID-19.

This assessment has taken into account the current measures being put in place by the Group to preserve cash and ensure continuity of operations through:

- Taking steps to reduce operating costs through reducing executive management pay by 60% and reducing working hours by 20% for Head Office employees.
- Ensuring continuation of its supply chain buildings on the benefit of having its own manufacturing sites and by using alternative third-party supply lines. For example, the Group is now delivering product to customers via sea freight.
- Maintaining geographical sales diversification, focusing sales to online customers and seeking new revenue streams including the supply of safety eyewear to the NHS and other customers around the globe.

This assessment includes the following assumptions in relation to the impact of COVID-19 on the results of the Group:

- A reduction in monthly revenue from May – August 2020 in line with April 2020 levels, with a corresponding decrease in cost of sales.
- A gradual increase in monthly revenue from September – November 2020 and a return to budget from December 2020.
- Known operating cost reductions as noted above have been included in the calculation as well as not paying a dividend in this financial year.
- Known capital commitments have been included in the assessment.

- Fixed operating costs remain in line with the original budget.
- Any tax liability relating to the uncertain tax positions will not be payable in the period.

Based on this assessment the Group remains a going concern and is forecasting to be in a strong cash position at the end of the 16 month period.

To further test the resilience of the Group the Directors have explored three main stress test scenarios with substantially reduced revenue. These tests reduced revenue by 40%, 65%, and 80% out for the 16 month period to 31 August 2021. The tests considered what the impact of this reduction would be on both the cash position of the Group and the financial covenants associated with the new debt agreement. The Directors also performed a reverse cash stress test with no sales from the 1st June 2020 to the 30 June 2021.

In the two worst case scenarios the interest cover debt covenant is breached during the period. In these instances the Group can repay it's debt from its cash reserves.. After making this payment the Group was still able to meet its liabilities as they fall due and continue trading. In the scenarios where the debt covenants are not breached the Group remains able to meet its liabilities as they fall due and continue trading.

These tests demonstrated the ability of the Group in certain situations to repay from its cash reserves its current facilities with HSBC under the new RCF facility. In all scenarios the Group was able to meet its liabilities as they fall due and comply with its loan requirements or repay the loan in the forecast period if required.

Based on the considerations above, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not reflect any adjustments which would be required to be made if they were prepared on a basis other than the going concern basis.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. Subsidiaries are any entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combination and goodwill

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the income statement in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held 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 re-assesses 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. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Investment in associate undertaking

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

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

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

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

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statement of the associate is prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Current and non-current classifications

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

An asset is considered current when it is:

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

Or

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

The Group classifies all other assets as non-current.

A liability is current when:

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

Or

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

The Group classifies all other liabilities as non-current.

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

Revenue recognition

Revenue from contracts with customers

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

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

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

The Group have undertaken a review of their obligations under IFRS 15 and despite having no contractual agreement with the customer certain subsidiary entities have historically accepted a right to return with either a credit being applied against amounts owed or another product offered in exchange.

Revenue from contracts with customers is recognised when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

Revenue is recognised at the fair value of the consideration received or receivable for sale of goods to external customers in the ordinary nature of the business. The fair value of the consideration takes into account trade discounts, settlement discounts, volume rebates and the right of return.

Sales of goods
Revenue from the sales of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Other income
Interest income is recognised on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instruments or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Royalty income is recognised on the sale of the respective goods to which the Group is entitled. Other income is recognised on an accruals basis.

Rights 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 (i.e. the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer.

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

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

An intangible asset is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss. Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

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

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

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

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

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

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

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

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

Leases

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

Right of use asset

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

Short Leasehold Property	over 2–5 years
Plant and Machinery	over 3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets

recognition exemption to leases of office equipment that is considered to be low value.
Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Inventories

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

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

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

Financial instruments – initial recognition and subsequent measurement

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus; in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Subsequent measurement

For purposes of subsequent measurement, the financial assets of the Group are classified as financial assets at amortised cost (debt instruments).

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, other receivables and loan to an associate included under other non-current financial assets.

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

The Group's and Company's financial liabilities include the option to subscribe for C equity shares treated as derivatives, due to exhibiting all three of the below characteristics:

Change in value in response to changes in a variable

No or minimal initial investment is required

It is settled at a future date

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

Financial liabilities at fair value through profit or loss

Financial liabilities at amortised cost (loans and borrowings)

The Group has not designated any financial liability as at fair value through profit or loss except for options to subscribe for C equity shares held as derivatives with the movement in fair value passing through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

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

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

Financial liabilities at fair value through profit or loss

Gains or losses on liabilities are recognised in the income statement. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Derecognition

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

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the income statement in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Impairment of financial assets

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

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

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

Cash and cash equivalents

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

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

Classification of shares as debt or equity instruments

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

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

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

Share based payments

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

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

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

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

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

When 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.

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 the Group has 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 US$, 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 currencies of certain overseas subsidiaries are currencies other than the US$. As at the end of the reporting period, the assets and liabilities of these entities are translated into US$ at the exchange rates prevailing at the end of the reporting period and their income statements are translated into US$ 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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate at 31 December 2018 and 31 December 2019.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into US$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the period are translated into US$ at the average exchange rates for the year.

Pensions and other post-employment benefits

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

New and amended standards and interpretations

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. It is effective for periods beginning on or after 1 January 2019. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. As such an associated provision has been recognised, which is discussed in more detail in note 3.

Issued but not yet effective international financial reporting standards

The Group has not applied any of the following new and revised IFRSs that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3 Definition of a Business effective for annual periods beginning on or after 1 January 2020.

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

No mandatory effective date yet determined but available for adoption.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a

transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

The amendments to IFRS 10 and IAS 28 is not expected to have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 1 and IAS 8 Definition of Material effective for annual periods beginning on or after 1 January 2020.

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures effective of annual periods beginning on or after 1 January 2019.

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

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.

Estimation uncertainty

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 2019 was $12,798,000 (2018: $12,394,000). No provision for impairment of goodwill was made as at the end of the reporting period.

Valuation of derivative liabilities

In determining the fair value of derivatives relating to options to subscribe for C equity shares, the Directors have obtained an external valuation having provided the necessary input parameters and variables. The Directors have then reviewed the valuation provided and its methodology and consider it an appropriate valuation for the derivative held. The valuation was determined using a Monte Carlo model and includes reference to grant date valuation and performance of the Group subsequently, as well as valuation at the end date of the arrangement. Assumptions have been used in preparing this valuation which contain estimation of future market conditions and volatility, including comparison to the volatility of similar entities. This valuation will be repeated in future periods over which time the level of estimation required to the end point will narrow. The estimation is re-assessed at the end of each reporting period, with any change in fair value being recognised through the income statement. The options to subscribe for C equity shares are discussed in more detail in note 12.

Useful lives and impairment of intangible assets

In determining the useful lives of items of intangible assets the Group has to consider various factors, such as technical or commercial obsolescence arising from changes in the market demands and historical experience. Adjustment of depreciation is made if the estimated useful lives of intangible assets are different from previous estimation. Useful lives are reviewed, and adjusted if appropriate, at least at the end of each reporting period, based on any changes in circumstances.

The carrying value of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting policies as disclosed in the financial statements. The recoverable amount is the higher of its fair value less costs of disposal and its value in use, the calculations of which involve the use of estimates about the future cash flows generated

by each asset or the relevant cash-generating units to which the asset belongs. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

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 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.

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.

In addition to the deferred tax asset and liabilities recognised, the Group has tax losses that arose in a subsidiary of $1,150,000 (2018: $1,150,000) that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose.

A deferred tax asset has not been recognised in respect of these losses as these losses may not be used to offset against taxable profits elsewhere in the Group and there is no evidence of these losses being utilised by the subsidiary in the future.

If the Group were able to recognise all unrecognised deferred tax assets, the profit would increase by $219,000 (2018: $219,000).

4. REVENUE

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

a) Geographical analysis

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

	2019 $'000	2018 $'000
United Kingdom	15,242	13,046
Europe (excluding UK)	18,657	20,636
North America	16,038	15,592
South America	975	901
Asia	6,187	5,891
Australia	4,148	1,229
	61,247	57,295

In the year ended 31 December 2019, the Group has two customers which account for more than 10% of the Group's revenues. The revenue generated from each customer is $11,289,000 (2018: $10,271,000) and $7,022,000 (2018: $7,005,000). The revenue from each customer relates to both segments as identified in Note 6.

b) Right of return assets and liabilities

	2019 $'000	2018 $'000

Right of return asset	96	109
Right of return liability	(476)	(453)

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

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

The Group has undertaken a review of their obligations under IFRS 15 and despite having no long-term contractual agreements with customers, certain subsidiary entities have historically accepted a right to return with the combination of a credit being applied against amounts owed or another product is offered in exchange.

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 balance sheet.

5. OTHER INCOME

	2019 $'000	2018 $'000
Royalty income	62	91
Sundry income	71	86
	133	177

Royalty income relates to remuneration received from customers for the design of concept frames. Sundry income in 2019 relates to income from an insurance claim.

6. SEGMENT INFORMATION

The Group operates in seven operating segments, which upon application of the aggregation criteria set out in *IFRS 8 Operating Segments* results in two reporting segments;

- Wholesale – being OEM and manufacturing distribution
- Branded product distribution

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 assess their performance.

The process by which reporting segments were identified included a review of qualitative and quantitative characteristics of each operating segment, including revenue stream, the nature of products, customers, distribution methods and profit margins. Operating segments considered to supply product through similar mechanisms of supply chain have then been aggregated. Head office costs have been fully allocated to the branded segment.

The reportable segments subject to disclosure are consistent with the organisational model adopted by the Group during the financial year ended 31 December 2019 is as below:

	Branded $'000	Wholesale $'000	Total before adjustments & eliminations $'000	Adjustments & eliminations $'000	Total $'000
Revenue					

	Branded $'000	Wholesale $'000	Total before adjustments & eliminations $'000	Adjustments & eliminations $'000	Total $'000
External	27,729	33,518	61,247	–	61,247
Internal	2,175	3,256	5,431	(5,431)	–
	29,905	36,773	66,678	(5,431)	61,247
Cost of sales	(18,723)	(20,194)	(38,917)	5,206	(33,711)
Gross profit	11,182	16,579	27,761	(225)	27,536
Expenses	(9,772)	(6,743)	(16,515)	(84)	(16,599)
Other income	35	98	133	–	133
Depreciation	(417)	(1,620)	(2,037)	–	(2,037)
Amortisation	(18)	(1,070)	(1,088)	–	(1,088)
Operating profit	1,010	7,244	8,254	(309)	7,945
Exchange adjustment on borrowings					715
Movement in derivatives					2,865
Initial public offering costs					(2,827)
Finance costs					(1,380)
Finance income					15
Associates profit					14
Taxation					(907)
Profit for the year					6,440
Total assets	56,815	66,018	122,833	(52,678)	70,155
Total liabilities	(42,618)	(4,676)	(47,294)	33,956	(13,338)
	14,197	61,342	75,539	(18,722)	56,817
Deferred tax asset					1,221
Current tax liability					(2,612)

	Branded $'000	Wholesale $'000	Total before adjustments & eliminations $'000	Adjustments & eliminations $'000	Total $'000
Deferred tax liability					(2,917)
Derivative liability					(3,536)
Borrowings					(17,625)
Group net assets					31,348
Other disclosures					
Capital additions	143	2,782	2,924	–	2,924

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 and derivative liabilities.

The reportable segments subject to disclosure are consistent with the organisational model adopted by the Group during the financial year ended 31 December 2018 is as below:

	Branded $'000	Wholesale $'000	Total before adjustments & eliminations $'000	Adjustment & elimination $'000	Total $'000
Revenue					
External	26,523	30,771	57,295	–	57,295
Internal	3,614	2,278	5,892	(5,892)	–
	30,137	33,050	63,186	(5,892)	57,295
Cost of Sales	(18,656)	(18,405)	(37,062)	5,667	(31,395)
Gross profit	11,481	14,644	26,125	(225)	25,900
Expenses	(8,469)	(5,634)	(14,103)	51	(14,053)
Other income	68	109	177	–	177
Depreciation	(321)	(1,554)	(1,875)	–	(1,875)
Amortisation	(20)	(1,113)	(1,133)	–	(1,133)
Operating profit	2,739	6,452	9,191	(174)	9,017
Exchange adjustment on borrowings					(1,152)

Movement in derivatives					(2,871)
Finance costs					(1,396)
Finance income					4
Associates profit					23
Taxation					(126)
Profit for the year					3,499
Total assets	56,254	59,533	115,787	(47,482)	68,305
Total liabilities	(34,332)	(8,518)	(42,850)	29,460	(13,390)
	21,922	51,015	72,937	(18,022)	54,915
Deferred tax asset					1,025
Current tax liability					(2,303)
Deferred tax liability					(2,886)
Derivative liability					(6,296)
Borrowings					(21,741)
Group net assets					22,714
Other disclosures					
Capital additions	187	788	975	–	975

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 and derivative liabilities.

Acquisition costs, net finance costs 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 sales that are eliminated on consolidation, along with the profit and loss items of the Parent Company.

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

Non-current operating assets

	2019 $'000	2018 $'000
United Kingdom	5,410	5,759

Europe	183	29
North America	150	238
Asia	36,175	34,610
	41,918	40,636

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

7. EMPLOYEES AND DIRECTORS

	2019 $'000	2018 $'000
Included in cost of sales		
Wages and salaries	4,329	4,205
Social security costs	96	28
Pension costs	8	5
	4,434	4,238
Included in administration costs		
Wages and salaries	9,268	8,360
Social security costs	580	612
Other pension costs	162	165
Share based payment expense	1,917	15
	11,926	9,152
	16,360	13,390

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

	2019	2018
Administration	176	172
Selling and operations	54	53
Production	992	1,086
	1,222	1,311

Directors' remuneration during the year was as follows:

	2019 $'000	2018 $'000
Directors' remuneration	1,148	1,076
Directors' pension contributions	3	3
Share based payment	539	–
	1,690	1,079

Information regarding the highest paid Director is as follows:

	2019 $'000	2018 $'000
	792	746

The number of Directors to whom retirement benefits were in relation to during the year is 2 (2018: 2). This was in the form of a defined contribution pension scheme.

8. INITIAL PUBLIC OFFERING COSTS

In the year to 31 December 2019 the Group incurred costs relating to preparation for Initial Public Offering (IPO) of existing shares of $2,827,000. A further $599,000 was incurred in relation to the IPO of new shares, with this balance being prepaid at the balance sheet date to be allocated against equity on the date of IPO, which occurred on 27 February 2020.

9. FINANCE COSTS AND FINANCE INCOME

	2019 $'000	2018 $'000
Finance costs		
Bank loan interest	930	995
Other loan interest	92	82
Invoice discounting interest & charges	41	75
Amortisation of bank loan transaction	286	185
Lease interest	31	59
Total finance costs	1,380	1,396
Finance income		
Interest receivable	15	4

10. PROFIT BEFORE INCOME TAX

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

	2019 $'000	2018 $'000
Cost of inventories recognised as expense	21,579	21,215
Short term leases	200	243
Depreciation own assets	1,301	1,204
Depreciation – Right of use assets	736	670
Amortisation – Intangibles	1,088	1,133
Foreign exchange differences	(623)	(405)

	2019 $'000	2018 $'000
Fees payable to the Company's auditor for audit services:		
Audit of the Company and Group accounts	20	18
Audit of the subsidiaries	644	204
Fees payable to the Company's auditor for non-audit services:		
Costs associated with IPO	1,229	–
IFRS conversion costs	232	–
Tax services	33	–

11. INCOME TAX

Analysis of tax expense

	2019 $'000	2018 $'000
Current Tax:		
Tax	485	430
Overseas current tax expense	453	287
Adjustment re prior years	12	–
Total current tax	950	717
Deferred Tax:		

Deferred tax income relating to the origination and reversal of timing differences	(43)	(591)
Total deferred tax	(43)	(591)
Total tax expense reported in the consolidated income statement	907	126

Factors affecting the tax expense

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

	2019 $'000	2018 $'000
Profit/(loss) before income tax	7,347	3,625
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	1,396	689
Effects of:		
Non-deductible expenses – Share based payment	42	3
Non-deductible expenses – Amortisation of intangible assets	183	193
Non-deductible expenses – Other expenses	(42)	47
Increase in provision for uncertain tax liabilities	463	429
Income taxed in nil rate regime	(1,222)	(1,131)
Different tax rate for overseas subsidiaries	59	(104)
Transfer pricing adjustments	6	–
Tax rate changes	(54)	–
Adjustments in respect of prior year	76	–
Tax expense	907	126

Income not taxable for tax purposes relates to income generated in jurisdictions within which there is a nil taxation rate.

12. EARNINGS PER SHARE

As discussed within the basis of preparation, the Group is not listed as at the balance sheet date and is therefore not required to include EPS disclosures. However, it is considered that this information is useful to the reader and is therefore included. 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.

Basic earnings per share is therefore $16.38 (2018: $8.90), with diluted earnings per share $14.80 (2018: $8.14).

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

ORDINARY SHARES	2019 $'000	2018 $'000
Profit/ (Loss) attributable to the ordinary equity holders of the Parent for basic earnings	–	–
	Number of shares	Number of shares
Weighted average number of Ordinary Shares for basic EPS	227,870	227,870
Effect of dilution from:		
Share options	42,016	36,570
Weighted average number of Ordinary Shares adjusted for the effect of dilution	269,886	264,440

B ORDINARY SHARES	2019 $'000	2018 $'000
Profit/ (Loss) attributable to the ordinary equity holders of the Parent for basic earnings	6,440	3,499
	Number of shares	Number of shares
Weighted average number of Ordinary Shares for basic EPS	135,385	135,385
Effect of dilution from:		
Share options	–	–
Weighted average number of Ordinary Shares adjusted for the effect of dilution	135,385	135,385

C ORDINARY SHARES	2019 $'000	2018 $'000
Profit/ (Loss) attributable to the ordinary equity holders of the Parent for basic earnings	–	–
	Number of shares	Number of shares
Weighted average number of Ordinary Shares for basic EPS	30,000	30,000
Effect of dilution from:		
Share options	–	–
Weighted average number of Ordinary Shares adjusted for the effect of dilution	30,000	30,000

Each Ordinary Share carries the right to participate in distributions, as respects dividends and as respects capital on winding up, subject to each B Ordinary Share having received an amount equal to a cumulative 'minimum realisation amount' of $175 per share. For the purposes of the

calculation of earnings per share, earnings have been attributed to both share classes, for the period of which they were in issue. Each Ordinary Share carries one vote per share and shares are not redeemable.

Each B Ordinary Share carries the right to participate in distributions, as respects dividends and as respects capital on winding up. Each 'B' share is subject to having received an amount equal to the minimum realisation amount of $175 before Ordinary Shares have the right to participate in distributions. Each B Ordinary Share carries one vote per share and shares are not redeemable.

No C Ordinary Shares have been issued during the periods presented. As part of investment into the Group by certain private equity investors, an option (the "C-share option") was given to those private equity investors over up to 30,000 C Ordinary Shares which may be issued should the option become exercisable and is exercised. If exercised, these shares rank pari passu with the rights of the Ordinary Shares of the Company in relation to liquidation and distribution rights, but hold no voting rights.

13. POST BALANCE SHEET EVENTS

Since the balance sheet date, but before these financial statements were approved the following have occurred, which are material in nature:

- On 25 April 2019, INSPECS Group Limited was incorporated (company number 11963910). with an issued share capital of £1.00. On the 21 November 2019 the share was subdivided into 100 shares of 10 pence each. On the 14 January 2020 the Company was re-registered as INSPECS Group PLC and in a share for share exchange on that date acquired the entire share capital of INSPECS Holdings. The financial statements of INSPECS Group PLC are shown in appendix 1.
- On 27 February 2020 INSPECS Group PLC was admitted to the London Aim market and raised $30m of primary funds pre-IPO expenses. On that date the Group entered into a new multi-currency RCF facility with HSBC allowing it to drawdown up to $25m. At the date of this report, the Group has drawn $17m and has undrawn facilities of $8m.
- On 16 January 2020, the C-share Option shares was modified through a revised agreement between the Company and the holders of the Options, whereby the number of C Ordinary Shares that may be issued upon exercise is dependent on the valuation of the Group at the point of its admission to the AIM market of the London Stock Exchange. The agreement set out that up to 30,000 C Ordinary Shares may be issued at the point of an exercise of the option, dependent on the share price achieved upon admission. In the event that the Company did not admit to AIM by 31 March 2020, the revised agreement would lapse, with the original C Option arrangement returning to force. The Group was admitted to the AIM market in advance of this date, with 1,671,157 C Ordinary Shares being issued due to the share price achieved.
- Since the year end the Group has been affected by the COVID-19 pandemic, such that many of its customers' retail outlets around the globe are closed. The Group has therefore suffered a reduction in trading in March and April 2020. The Group's primary concern has been the safety of its employees internationally and the safety of its manufacturing facilities. COVID-19 initially affected production in China with the Torkai factory closed for two weeks. Both our major manufacturing plants in China and Vietnam are operating at a reduced level as many of the distribution hubs of the major global chains and many retail outlets are closed.
- The Group has taken steps to conserve cash and reduce operating costs and has implemented a four-day working week, amongst other cost and operational savings. The Board has reduced its salaries and the executive team has reduced its salary costs by 60%. The Group has continued to produce inventory for confirmed orders so that shipments can begin as and when distribution hubs reopen.
- The Directors have concluded that COVID-19 is a non-adjusting post balance sheet event but have considered what the impact of the pandemic could be on the balances in the balance sheet at the year-end. Upon review, the only balance that could be impacted by a deterioration in future performance and the drop in trading in March and April is goodwill. It is not possible to quantify the impact of COVID -19 on goodwill at the date of signing the financial statements.
- The Group has carried out stress testing as a result of COVID-19 as described in the accounting policies note (see note 2) to enable the Directors to conclude that the Group can continue as a going concern for the foreseeable future.