

8 September 2021

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

**Interim Results**

INSPECS Group plc, a global eyewear and lens design house and manufacturer, presents its interim results for the six months ended 30 June 2021.

**Financial highlights:**

- Revenue increased to \$125.7m (H1 2020: \$16.7m)
- Gross profit margin 44.9% (H1 2020: 44.5%)
- Underlying gross profit margin\* 49.8% (H1 2020: 44.5%)
- Underlying EBITDA\* increased to \$17.7m (H1 2020: \$0.7m)
- Underlying basic Earnings Per Share (EPS) of \$0.17 (H1 2020: \$0.01), with underlying diluted EPS of \$0.16 (H1 2020: \$0.01)
- Reported loss before tax of \$2.6m (H1 2020: \$8.3m)
- Reported loss after tax of \$3.2m (H1 2020: \$7.5m)
- Reported basic EPS of \$(0.03) (H1 2020: \$(0.12)), with diluted EPS of \$(0.03) (H1 2020: \$(0.12))
- Strong balance sheet with cash at 30 June 2021 of \$37.7m (30 June 2020: \$28.6m)
- Cash flow from operating activities \$15.4m (H1 2020: \$(2.5)m)

\*Underlying gross profit margin for H1 2021 excludes \$6.1m purchase price allocation adjustment relating to inventory valuation following the acquisition of Eschenbach on 16 December 2020. Underlying EBITDA excludes this purchase price allocation adjustment and share based payment expense for the period. See 'Underlying EBITDA' table below for reconciliation to operating profit as shown below.

**Operational highlights:**

- Despite the restrictions of Covid-19, operations have remained fully functional and the business is currently transitioning from a work at home basis to a flexible office/home-working environment where applicable.
- Construction work on our Vietnam plant has been completed, despite Covid-19 related restrictions, production is at good levels.
- Further land acquired in Vietnam allows an additional expansion of manufacturing capacity.
- New B2B digital platform increases revenues.
- Eschenbach integration continues across the Group.
- Launch of new in-house designed and manufactured sustainable frames "Botaniq™" continues to prove successful.
- Development of antiviral and antibacterial products for healthcare markets.
- Norville appointed UK sales distributor for "LEICA Lenses".
- Construction of new Norville production facility underway, completion expected Q4 2021.
- ESG teams working to move Group's offices to carbon neutral.

**Robin Totterman, CEO of INSPECS, said:**

"I am pleased to report our underlying EBITDA increased from \$0.7m for the 6 months to 30 June 2020 to \$17.7m for the 6 months to 30 June 2021. These are good results for the Group that demonstrate its trajectory following the acquisition of Eschenbach on the 16 December 2020.

"These results reflect the hard work that our employees have put in to ensure that the Group can operate despite Covid-19 restrictions. My thanks for the flexibility our teams have displayed across the globe. Our factories have managed to carry on producing in what has been an extraordinarily difficult time and all our factory workers in Vietnam have been vaccinated to enable them to carry on production. Our plant in China has continued to operate despite Covid-19 difficulties throughout the period. Our teams across the globe continue to drive new innovation, explore opportunities and expand into new markets through integration, organic growth and acquisitions.

"We have strong order books and notwithstanding the potential future disruption from Covid-19 our full year expectations remain unchanged. We look forward to providing a further update with our Q3 trading update at the end of October."

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**About INSPECS Group plc**

INSPECS is a Bath-based designer, manufacturer and distributor of eyewear frames and optically advanced spectacle lenses. The Group produces a broad range of frames and lenses, 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).

In December 2020, INSPECS acquired Eschenbach, a leading, global, eyewear supplier headquartered in Nuremberg, Germany, which includes the American company Tura. The acquisition extended the Group's presence internationally in key global markets. This followed the acquisition of lens maker Norville in July 2020, whereby INSPECS combined two heritage brands in British optical, Savile Row frame maker, and Norville lens maker, further enhancing its vertically integrated business model. 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 70,000 points of sale.

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, the UK and Italy. With the acquisition of Eschenbach, the Group's international reach further extends across Europe and the American markets.

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.

More information is available at [www.INSPECS.com](http://www.INSPECS.com).

## **CHIEF EXECUTIVE REVIEW**

I am pleased to present our first full 6-month interim results following our acquisition of Eschenbach on 16 December 2020. The Group has performed well in the first 6-months with sales of \$125.7m. The Group made an underlying EBITDA of \$17.7m.

The Group continues to deliver despite Covid-19 restrictions around the globe. As we move towards the end of our financial year, I remain cautious but believe that we have developed over the last 12-months the ability to quickly change both our working and trading patterns to be able to continue to achieve solid results despite the challenging environment.

In Vietnam, unlike many other factories, our team has adapted to the complex Covid-19 restrictions. We quickly built new dormitories and shower facilities allowing our workforce to remain on-site and continue production.

We have sourced a new factory for Norville, and this move to a state-of-the-art production facility should be completed by the end of Q4. Norville has been appointed as the sole UK lens distributor for "LEICA Lenses".

Eschenbach has traded ahead of expectations, and it is great to see the collaboration of the Eschenbach teams with the other Group members around the globe taking shape. This continues to drive new and innovative ideas to further grow the Group.

We continue to work on further acquisitions with our advisors, as the enlarged Group now has many additional opportunities available to it.

Our new in-house innovation development team, 'Skunk Works', has been busy, and I hope to announce further advanced innovation in the near future.

Despite Covid-19, the Group continues to trade well post 30 June 2021. The global eyewear market has proved to be resilient over the last 18 months. However, current trading patterns can be quickly influenced by governments around the world responding to the Covid-19 pandemic, which could see some of our markets affected.

Our order books continue to grow, and I am excited about new opportunities across the Group. Assuming current conditions prevail, I expect that we will continue to build on our results for the first 6 months of the year.

During the period we have worked hard across the Group on unifying ESG policies, with teams in place around the globe, targeting new environmentally friendly products for the market and a constant reduction in our waste, energy usage and carbon emissions.

Finally, I would like to thank all of our staff and advisors who have worked tirelessly in challenging circumstances to produce these results and have the passion and skills to continue the Group's growth.

**Robin Totterman**

**8 September 2021**

## **FINANCIAL REVIEW**

The Group has produced a good financial performance despite Covid-19 restriction for the first 6-month period of 2021. The results include the first full six month period of Eschenbach GmbH.

### **Revenue**

Revenue increased to \$125.7m from \$16.7m in H1 FY20 driven by the continuing integration of Eschenbach and volume growth across the diversity of markets that we now operate in.

### **Underlying Gross Margin**

The Group's underlying gross margin increased from 44.5% to 49.8%.

### **Underlying EBITDA**

The Group underlying EBITDA increased from \$0.7m in H1 2020 to \$17.7m in H1 2021.

### **Finance Expenses**

Our net finance cost reduced from \$1.6m in H1 2020 to \$1.1m.

### **Loss Before Tax**

Loss before tax for the period of \$2.6m is after charging \$1.2m of non-underlying costs and a foreign exchange loss on borrowings of \$3.6m, being a non-cash item.

### **Cash Generation**

The Group generated a net cash inflow from operating activities of \$15.4m in H1 2021 compared to a net outflow of \$(2.5)m in H1 2020.

### **Cash Position**

The Group's cash at 30 June 2021 was \$37.7m compared to \$28.6m at 30 June 2020.

### **Net Assets**

The Group's net assets increased from \$58m at 30 June 2020 to \$147m at 30 June 2021.

### **Net Debt**

The Group's net debt excluding leasing has decreased from \$26.9m as at 31 December 2020 to \$16.9m as at 30 June 2021.

### **Earnings Per Share**

The Group's underlying basic earnings per share of the 6 months to 30 June 2021 was \$0.17 compared to \$0.01 for the 6 months to 30 June 2020.

### Underlying EBITDA

The below table shows how Underlying EBITDA is calculated:

	6 months ended 30 June 2021	6 months ended 30 June 2020	12 months ended 31 December 2020
	\$'000	\$'000	\$'000
<b>Revenue</b>	125,746	16,727	47,415
<b>Gross Profit</b>	56,498	7,439	20,522
Operating expenses	(53,157)	(9,167)	(23,462)
<b>Operating profit/(loss)</b>	<b>3,341</b>	<b>(1,728)</b>	<b>(2,940)</b>
Movement in fair value on derivatives	-	(727)	(740)
<b>Operating profit/(loss) after movement in derivative</b>	<b>3,341</b>	<b>(2,455)</b>	<b>(3,680)</b>
Add back: Amortisation	3,452	484	1,607
Add back: Depreciation	4,131	1,155	2,299
<b>EBITDA</b>	<b>10,924</b>	<b>(816)</b>	<b>226</b>
Add back: Share based payment expense	680	766	1,706
Add back: Restructuring costs	-	-	185
Add back: Foreign exchange on funding for acquisitions	-	-	1,085
Add back: Post acquisition insurance costs	-	-	563
Add back: Movement in fair value on derivatives	-	727	740
Add back: Purchase price allocation (PPA) adjustment on Eschenbach inventory	6,104	-	-
<b>Underlying EBITDA</b>	<b>17,708</b>	<b>677</b>	<b>4,505</b>

### Underlying Earnings per Share

	\$	\$	\$
Basic underlying Earnings per Share for the period attributable to the equity holders of the parent	0.17	0.01	0.07
Diluted underlying Earnings per Share for the period attributable to the equity holders of the parent	0.16	0.01	0.06

### Underlying EBITDA segmental information

Underlying EBITDA by reportable segment (as defined in note 4) for the six months ended 30 June 2021 is as follows:

	Frames and Optics	Wholesale	Lenses	Total before adjustments & eliminations	Adjustments & elimination	Total
Revenue	\$'000 110,449	\$'000 13,643	\$'000 4,278	\$'000 128,370	\$'000 (2,624)	\$'000 125,746
Operating profit	<u>1,996</u>	<u>2,213</u>	<u>(793)</u>	<u>3,416</u>	<u>(75)</u>	<u>3,341</u>
Add back:						
Amortisation	2,928	524	-	3,452	-	3,452
Depreciation	3,182	699	250	4,131	-	4,131
Share based payments	401	279	-	680	-	680
PPA adjustment Eschenbach inventory	6,104	-	-	6,104	-	6,104
<b>Underlying EBITDA</b>	<b><u>14,611</u></b>	<b><u>3,715</u></b>	<b><u>(543)</u></b>	<b><u>17,783</u></b>	<b><u>(75)</u></b>	<b><u>17,708</u></b>

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the period ended 30 June 2021**

	Notes	<i>Unaudited</i> 6 months ended 30 June 2021 \$'000	<i>Unaudited</i> 6 months ended 30 June 2020 \$'000
<b>REVENUE</b>	4	125,746	16,727
Cost of sales		(69,248)	(9,288)
<b>GROSS PROFIT</b>		56,498	7,439
Other operating income		-	27
Distribution costs		(1,774)	(239)
Administrative expenses		(51,383)	(8,954)
<b>OPERATING PROFIT/(LOSS)</b>		3,341	(1,728)
Movement in fair value on derivatives		-	(727)
Initial public offering costs		-	(2,442)
Non-underlying costs	9	(1,248)	(91)
Exchange adjustments on borrowings		(3,619)	(1,774)
Finance costs		(1,123)	(1,570)
Finance income		19	19
<b>LOSS BEFORE INCOME TAX</b>		(2,630)	(8,312)
Income tax		(533)	823
<b>LOSS FOR THE PERIOD</b>		(3,163)	(7,489)
<b>OTHER COMPREHENSIVE INCOME:</b>			
Exchange adjustment on consolidation		3,796	(1,490)
<b>TOTAL COMPREHENSIVE PROFIT /(LOSS)</b>		<u>633</u>	<u>(8,979)</u>
<b>Earnings per share</b>			
Basic EPS for the period attributable to the equity holders of the parent	5	(0.03)	(0.12)
Diluted EPS for the period attributable to the equity holders of the parent	5	(0.03)	(0.12)

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2021**

Notes	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	<i>As at</i>	<i>As at</i>	<i>As at</i>
	<b>30 June 2021</b>	<b>30 June 2020</b>	<b>31 December 2020</b>
<b>\$'000</b>			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Goodwill	69,961	11,982	69,087
Intangible assets	50,738	15,930	56,305
Property Plant and equipment	42,620	11,980	42,839
Investment in associates	57	53	57
Deferred tax	12,569	1,167	12,995
	<b>175,945</b>	<b>41,112</b>	<b>181,283</b>
<b>CURRENT ASSETS</b>			
Inventories	50,639	8,450	59,294
Trade and other receivables	6 34,498	8,731	35,648
Tax receivable	246	-	1,556
Cash and cash equivalents	37,718	28,589	32,672
	<b>123,101</b>	<b>45,770</b>	<b>129,170</b>
<b>TOTAL ASSETS</b>	<b>299,046</b>	<b>86,882</b>	<b>310,453</b>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	1,384	968	1,384
Share premium	121,940	35,138	121,940
Foreign currency translation reserve	3,697	(1,385)	(99)
Share option reserve	1,547	564	867
Merger reserve	7,296	7,296	7,296
Retained earnings	11,266	15,853	14,429
<b>TOTAL EQUITY</b>	<b>147,130</b>	<b>58,434</b>	<b>145,817</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities – borrowings			
Interest bearing loans and borrowings	8 63,191	17,401	70,391
Deferred tax	21,421	2,762	24,694
	<b>84,612</b>	<b>20,163</b>	<b>95,085</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7 38,542	5,611	42,895
Right of return liability	13,015	454	12,824
Financial liabilities – borrowings			
Interest bearing loans and borrowings	8 10,191	599	6,830
Bank overdrafts	8 -	-	2,642
Invoice discounting	8 -	47	-
Tax payable	5,556	1,574	4,360
	<b>67,304</b>	<b>8,285</b>	<b>69,551</b>
<b>TOTAL LIABILITIES</b>	<b>151,916</b>	<b>28,448</b>	<b>164,636</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>299,046</b>	<b>86,882</b>	<b>310,453</b>

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the period ended 30 June 2021**

	Called up share capital	Share premium	Foreign currency translation reserve	Share option reserve	Retained earnings	Merger reserve	Total equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>SIX MONTHS ENDED 30 JUNE 2021</b>							
<b>Balance at 1 January 2021</b>	<b>1,384</b>	<b>121,940</b>	<b>(99)</b>	<b>867</b>	<b>14,429</b>	<b>7,296</b>	<b>145,817</b>
Loss for the period	-	-	-	-	(3,163)	-	(3,163)
Other comprehensive income	-	-	3,796	-	-	-	3,796
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>3,796</b>	<b>-</b>	<b>(3,163)</b>	<b>-</b>	<b>633</b>
Share-based payments	-	-	-	680	-	-	680
<b>Balance at 30 June 2021 (unaudited)</b>	<b>1,384</b>	<b>121,940</b>	<b>3,697</b>	<b>1,547</b>	<b>11,266</b>	<b>7,296</b>	<b>147,130</b>
<b>SIX MONTHS ENDED 30 JUNE 2020</b>							
<b>Balance at 1 January 2020</b>	<b>62</b>	<b>21,628</b>	<b>1,031</b>	<b>2,840</b>	<b>5,787</b>	<b>-</b>	<b>31,348</b>
Loss for the period	-	-	-	-	(7,489)	-	(7,489)
Other comprehensive loss	-	-	(1,490)	-	-	-	(1,490)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>(1,490)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,979)</b>
Issue of share capital	187	32,413	-	-	-	(22)	32,578
Exercise of share options	99	2,725	-	(3,140)	2,973	-	2,657
Share-based payments	-	-	-	830	-	-	830
Share for share exchange and creation of merger reserve	620	(21,628)	(926)	34	(46,902)	68,802	-
Capital reduction	-	-	-	-	61,484	(61,484)	-
<b>Balance at 30 June 2020 (unaudited)</b>	<b>968</b>	<b>35,138</b>	<b>(1,385)</b>	<b>564</b>	<b>15,853</b>	<b>7,296</b>	<b>58,434</b>

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOW**  
**For the period ended 30 June 2021**

	Unaudited 6 months ended 30 June 2021 \$000	Unaudited 6 months ended 30 June 2020 \$000
<b>Cash flows from operating activities</b>		
(Loss)/profit before income tax	(2,630)	(8,312)
Depreciation charges	4,131	1,155
Amortisation charges	3,451	484
Share based payments	680	766
Movement in fair value of derivatives	-	727
Exchange adjustments on borrowings	3,619	1,774
Finance costs	1,123	1,570
Finance income	(19)	(19)
	<b>10,355</b>	<b>(1,856)</b>
Decrease in inventories	9,406	266
Decrease in trade and other receivables	1,600	4,143
Decrease in trade and other payables	(4,869)	(4,605)
Cash generated from operations	<b>16,492</b>	<b>(2,051)</b>
Interest paid	(1,115)	(481)
Tax paid	-	-
<b>Net cash flow from operating activities</b>	<b>15,377</b>	<b>(2,532)</b>
<b>Cash flows (used in)/from investing activities</b>		
Purchase of intangible fixed assets	(86)	(72)
Purchase of property plant and equipment	(2,697)	(265)
Interest received	19	19
Net cash flows (used in)/from investing activities	<b>(2,764)</b>	<b>(318)</b>
<b>Cash flow from financing activities</b>		
Bank loan principal repayments in year	(3,102)	(2,307)
Repayment of other loans	-	(2,530)
Inflow from Initial Public Offering	-	30,313
Principal payments on leases	(1,920)	(590)
Net cash flows used in financing activities	<b>(5,022)</b>	<b>24,886</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>7,591</b>	<b>22,035</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>30,030</b>	<b>6,502</b>
Net foreign currency movements	97	52
<b>Cash and cash equivalents at end of period</b>	<b>37,718</b>	<b>28,589</b>

**NOTES TO THE INTERIM CONSOLIDATED STATEMENTS**  
**For the period ended 30 June 2021**

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**1. GENERAL INFORMATION**

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

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

**2. ACCOUNTING POLICIES**

**Going concern**

Based on the Group's forecasts considered in the light of the Covid-19 situation, the Directors have adopted the going concern basis in preparing the interim financial statements.

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

- The Group improved its cash position during the period with net cash inflows from operating activities of \$15.4m compared to an outflow of (\$2.5m) for H1 2020.
- The Groups net assets were \$147m at the end of the period compared to \$58m at 30 June 2020.
- The Group has significant headroom with its current and projected covenants with HSBC.

	30 June 2021		31 December 2020	
	Actual	Required	Actual	Required
Leverage (excl. leasing)	0.6	Below 2.5	1.6	Below 2.5
Interest cover	21.0	Above 4.0	17.1	Above 4.0

Leverage is calculated on a rolling 12 month historical EBITDA against current net debt excluding leasing.

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

- Ensuring continuation of its supply chain buildings on the benefit of having its own manufacturing sites and by securing alternative third-party supply lines.
- Maintaining geographical sales diversification, focusing sales to online customers and seeking new revenue streams around the globe.
- Ability to service both the major global retail chains and significant distribution to the independent eyewear market following the acquisition of Eschenbach on 16 December 2020.

**Basis of preparation**

The interim consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting and with accounting policies that are consistent with the Group's Annual Report and Financial Statements for the period ended 31 December 2020.

The comparative financial information for the period ended 30 June 2020 in this interim report does not constitute statutory accounts for that period under 434 of the Companies Act 2006 and is unaudited.

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

**NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)**  
**For the period ended 30 June 2021**

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**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

**Estimation uncertainty**

In addition to the impact of Covid-19 discussed within the going concern section of note 2, the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below.

**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 addition to the underlying tax liability. As a result, the Group has made a provision of \$3,067,000 as at 30 June 2021 (\$2,603,000 as at 30 June 2020), in line with the accounting methodology used as at 31 December 2020.

**Right of return**

Under IFRS15 a sale with right of return is recognised if the customer receives any combination of a full or partial refund of any consideration paid, a credit that can be applied against amounts owed, or another product in exchange. The Group includes within the liability arrangements where the Group has historically accepted a right to return. The Group estimates the impact of potential returns from customers based on historical data on returns, with a liability recognised for the goods expected to be returned. Calculations of this liability require estimation to be made by management as to the expected level of returns. The right of return liability as at 30 June 2021 was \$13,015,000 (30 June 2020: \$454,000) with Eschenbach accounting for \$12,344,000 of this balance as at 30 June 2021.

**NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)**  
**For the period ended 30 June 2021**

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**4. SEGMENT INFORMATION**

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

- Frames and Optics (previously Branded) product distribution.
- Wholesale – being OEM and manufacturing distribution.
- Lenses – being manufacturing and distribution of lenses.

The acquisition of Norville (20/20) Limited during H2 2020 has led to an additional operating and reporting segment of 'Lenses' in 2020. In addition, the acquisition of Eschenbach Holdings GmbH also in H2 2020 has resulted in a change to the 'Branded' reporting segment, to form the 'Frames and Optics' reporting segment of which Eschenbach is a part during the period to 30 June 2021.

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

**NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)**  
**For the period ended 30 June 2021**

**4. SEGMENT INFORMATION (CONTINUED)**

The reportable segments subject to disclosure are consistent with the organisation model adopted by the Group during the six months ended 30 June 2021 and are as below:

	Frames and Optics	Wholesale	Lenses	Total before adjustments & eliminations	Adjustments & elimination	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
External	109,233	12,261	4,252	125,746	-	125,746
Internal	1,216	1,382	26	2,624	(2,624)	-
	110,449	13,643	4,278	128,370	(2,624)	125,746
Cost of sales	(59,588)	(9,442)	(2,473)	(71,503)	2,255	(69,248)
Gross profit	50,861	4,201	1,805	56,867	(369)	56,498
Expenses	(48,865)	(1,988)	(2,598)	(53,451)	294	(53,157)
Operating (loss)/profit	1,996	2,213	(793)	3,416	(75)	3,341
Exchange adjustment on borrowings						(3,619)
Non-underlying costs – acquisitions						(1,248)
Finance costs						(1,123)
Finance income						19
Taxation						(533)
Loss for the period						(3,163)

Reported segments relating to the balance sheet as at 30 June 2021 are as follows:

	Frames and Optics	Wholesale	Lenses	Total before adjustments & eliminations	Adjustments & elimination	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total assets	390,712	74,917	7,285	472,914	(186,437)	286,477
Total liabilities	(302,660)	(7,056)	(6,837)	(316,553)	264,996	(51,557)
	88,052	67,861	448	156,361	78,559	234,920
Deferred tax asset						12,569
Deferred tax liability						(21,421)
Current tax liability						(5,556)
Borrowings						(73,382)
Group net assets						147,130

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

**NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)**  
**For the period ended 30 June 2021**

**4. SEGMENT INFORMATION (CONTINUED)**

The reportable segments subject to disclosure are consistent with the organisation model adopted by the Group during the six months ended 30 June 2020 and are as below:

	Branded	Wholesale	Total before adjustments & eliminations	Adjustments & elimination	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
External	8,627	8,100	16,727	-	16,727
Internal	1,104	894	1,998	(1,998)	-
	9,732	8,994	18,726	(1,998)	16,727
Cost of sales	(5,886)	(5,167)	(11,053)	1,765	(9,288)
Gross profit	3,845	3,827	7,672	(233)	7,439
Expenses	(5,205)	(4,153)	(9,358)	191	(9,167)
Operating (loss)/profit	(1,360)	(326)	(1,686)	(42)	(1,728)
Exchange adjustment on borrowings					(1,774)
Movement in derivatives					(727)
Initial Public Offering costs					(2,442)
Non-underlying costs – restructuring					(91)
Finance costs					(1,570)
Finance income					19
Taxation					823
Loss for the period					(7,489)

Reported segments relating to the balance sheet as at 30 June 2020 are as follows:

	Frames and Optics	Wholesale	Total before adjustments & eliminations	Adjustments & elimination	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Total assets	75,019	63,259	138,278	(52,564)	85,714
Total liabilities	(63,712)	(4,654)	(68,366)	62,255	(6,111)
	11,307	58,605	69,912	9,691	79,603
Deferred tax asset					1,167
Deferred tax liability					(2,762)
Current tax liability					(1,574)
Borrowings					(18,000)
Group net assets					58,434

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

**NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)**  
**For the period ended 30 June 2021**

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**4. SEGMENT INFORMATION (CONTINUED)**

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

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

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

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

**Geographical analysis**

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

	Unaudited 6 months ended 30 June 2021	Unaudited 6 months ended 30 June 2020
United Kingdom	\$'000s 12,339	\$'000s 3,253
Europe (excluding UK)	68,721	6,726
North America	40,968	3,617
South America	169	278
Asia	2,369	1,939
Australia	1,180	914
	<b>125,746</b>	<b>16,727</b>

**NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)**  
**For the period ended 30 June 2021**

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**5. EARNINGS PER SHARE**

Basic Earnings per Share ("EPS") is calculated by dividing the profit 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 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. During the periods ended 30 June 2021 and 30 June 2020 the Group made a loss; therefore, diluted EPS is not applicable as the impact of potential ordinary shares is anti-dilutive. Basic earnings per share is therefore \$(0.03) (30 June 2020: \$(0.12)), with diluted earnings per share \$(0.03) (30 June 2020: \$(0.12)). The following table reflects the income and share data used in the basic and diluted EPS calculations:

	30 June 2021	30 June 2020
<i>SHARES</i>	\$'000	\$'000
<b>(Loss)/Profit attributable to the equity holders of the parent for basic earnings</b>	<b>(3,163)</b>	<b>(7,489)</b>
Weighted average number of shares for basic EPS	Number of shares	Number of shares
Effect of dilution from: Share options	<b>101,290,898</b>	<b>61,384,358</b>
Weighted average number of shares adjusted for the effect of dilution	<b>4,211,782</b>	<b>4,423,633</b>
	<b>105,502,680</b>	<b>65,807,991</b>

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

**NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)**  
**For the period ended 30 June 2021**

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**6. TRADE AND OTHER RECEIVABLES**

	Unaudited As at 30 June 2021 \$'000	Unaudited As at 30 June 2020 \$'000	As at 31 December 2020 \$'000
Trade receivables	27,000	6,707	25,149
Prepayments	3,552	959	6,419
Other receivables	3,946	1,068	4,080
	<b>34,498</b>	<b>8,731</b>	<b>35,648</b>

**7. TRADE AND OTHER PAYABLES**

	Unaudited As at 30 June 2021 \$'000	Unaudited As at 30 June 2020 \$'000	As at 31 December 2020 \$'000
Trade payables	19,678	2,857	22,404
Amounts owed to related parties	147	201	169
Other payables	614	277	1,435
Social security and other taxes	6,380	100	5,422
Royalties & provisions	2,453	690	5,911
Accruals	9,270	1,486	7,554
	<b>38,542</b>	<b>5,611</b>	<b>42,895</b>

**8. NET DEBT**

	Unaudited As at 30 June 2021 \$'000	Unaudited As at 30 June 2020 \$'000	As at 31 December 2020 \$'000
Cash and cash equivalents	37,718	28,589	32,672
Interest bearing borrowings excl. leasing	(54,630)	(17,182)	(56,947)
Bank overdrafts	-	-	(2,642)
Invoice discounting	-	(47)	-
<b>Net debt excluding leasing</b>	<b>(16,912)</b>	<b>11,360</b>	<b>(26,917)</b>
Lease liability	(18,752)	(818)	(20,274)
<b>Net debt including leasing</b>	<b>(35,664)</b>	<b>10,542</b>	<b>(47,191)</b>

**NOTES TO THE INTERIM CONSOLIDATED STATEMENTS (continued)**  
**For the period ended 30 June 2021**

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**9. NON-UNDERLYING COSTS**

Non-underlying costs in the period relate to the accounting of the acquisition of Eschenbach. Prior period non-underlying costs relate to redundancy costs of Algha Group Limited employees, with the site ceasing trading during the period as part of a planned movement of production to Italy.

**10. SHARE-BASED PAYMENTS**

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

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

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

<b>Grant date</b>	<b>Expected life of options</b>	<b>Exercise price per option \$</b>	<b>Number of share options</b>
11 October 2019	1-3 years	1.27	824,197
27 February 2020	3-5 years	2.52	1,923,110
22 December 2020	3-5 years	2.87	1,460,000
21 June 2021	3-5 years	4.86	90,000

The exercise price under each option agreement is denominated in GBP, with the USD balance shown above converted at the rate the option was issued.

**11. POST BALANCE SHEET EVENTS**

Since the end of the interim period on 30 June 2021 there were no material events that the directors consider material to the users of these interim statements.