18 August 2022

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 unaudited interim results for the six months ended 30 June 2022.

Financial highlights:

- Revenue increased to $138.4m (H1 2021: $125.7m)
- Revenue increased to $145.5m (H1 2021: $125.7m), an increase of 15.8% at constant exchange rates [1]
- Operating profit increased to $5.8m (H1 2021: $2.5m [2])
- Gross profit margin 50.5% (H1 2021: 44.2% [2], underlying 49.1% [3])
- Underlying EBITDA $15.1m (H1 2021: $16.8m [2])
- Underlying basic Earnings Per Share (EPS) of $0.15 (H1 2021: $0.17), with underlying diluted EPS of $0.14 (H1 2020: $0.16)
- Reported profit before tax of $0.8m (H1 2021: $3.5m loss [2])
- Reported loss after tax of $2.8m (H1 2021: $3.8m [2])
- Reported basic EPS of $(0.03) (H1 2021: $(0.04)), with diluted EPS of $(0.03) (H1 2021: $(0.04))
- Strong balance sheet with cash at 30 June 2022 of $30.6m (30 June 2021: $33.8m)
- Cash generated from operations $10.1m (H1 2021: $18.8m)
- Net debt excluding leasing $26.2m (31 December 2021: $32.8m)

Operational highlights:

- Norville new factory now fully operational and 'Labpack' distribution of complete frame and lens packages underway
- Planning permission and building design complete and approved on new factory in Vietnam
- Location for new Portugal factory sourced and building designed
- O'Neill, Superdry and Botaniq ranges now distributed by Group entities in the USA and Europe
- First delivery of lenses for Amazon's own eyewear division in Q2 of 2022
- Group companies working together to ensure enhanced distribution rates for our products
- Rationalisation of Hong Kong offices now complete
- The Group has completed the registration of its products as medical devices with the Medicines and Healthcare Regulatory Agency (MHRA), the European Database on Medical Devices (EUDAMED) and the Food and Drug Administration (FDA) in the USA

1 Constant currency exchange rates: figures at constant currency exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the relevant comparative period (H1 2021).

2 The six-month period to 30 June 2021 has been restated following retrospective adjustments (note 11).

3 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.

Robin Totterman, CEO of INSPECS, said:

"I am pleased to report an underlying EBITDA of $15.1m for the six months to 30 June 2022 (H1 2021: $16.8m). The Group EBITDA increased by $4.3m from $10.0m in H1 2021 to $14.3m in H1 2022. Our operating profit increased by $3.4m from $2.5m in H1 2021 to $5.8m in H1 2022.

The Group has made good progress against our strategic objectives during the period, specifically with the ongoing integration of the Group's businesses and increasing our distribution reach around the globe.

Our European business performed ahead of internal budget for the first half, however, our reported results were affected by a rapid decline in the Euro against the US Dollar in Q2, which is the current reporting currency of the Group. Given the evolution in Group global earnings since our IPO, the Board will review the reporting currency with our advisors in 2023. Our Norville factory relocation incurred additional downtime and costs but is now fully operational and increasing production.

Later this year we expect to start construction of our new factory in Portugal and increase our Vietnam production capacity through expansion, which will satisfy the increased demand from key accounts. Production is expected to begin towards the end of 2023, with distribution in Q1 of 2024.

Our Group order books are ahead as of 30 June 2022 compared to 30 June 2021, and we enter the second half of the year in a good position. Whilst we remain cautious of the overall economic outlook for the UK and European market, we remain focused on executing a number of strategic priorities that will increase production, enabling us to bring innovative new products to market and continue to deliver shareholder value."

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	
Andrew Clark	
Lalit Bose	
FTI Consulting (Financial PR)	**Tel: +44 (0) 20 3727 1000**
Alex Beagley	INSPECS@fticonsulting.com
Harriet Jackson	
Alice Newlyn	

This announcement contains inside information for the purposes of the Market Abuse Regulation (Regulation (EU) No 596/2014) including as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018. The person responsible for arranging release of this announcement on behalf of Inspecs is Chris Kay, Chief Financial Officer.

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 as well as unbranded).

INSPECS aims to be the leader in eyewear solutions through its vertically-integrated business model and has adopted a three-pillar growth strategy to achieve this: (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.

The Group has completed several significant acquisitions since its IPO in February 2020. In December 2020, INSPECS acquired Eschenbach, a leading global eyewear supplier, headquartered in Nuremberg, Germany, which includes the American company Tura. This followed the acquisition of lens maker Norville in July 2020, whereby INSPECS combined two British heritage brands, Savile Row frame maker, and Norville lens maker, further enhancing its vertically-integrated business model. In December 2021 the Group acquired Ego Eyewear, a design and licensing company which uses third party eyewear manufacturers to produce premium fashion brands, and BoDe, a distributor of optical frames and sunglasses principally to the German and neighbouring markets.

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 75,000 points of sale.

INSPECS has operations across the globe: with offices and subsidiaries in the UK, Germany, Portugal, Scandinavia, the US and China (including Hong Kong, Macau and Shenzhen), and manufacturing facilities in Vietnam, China, the UK and Italy. With the acquisition of Eschenbach, the Group's international reach further extends across Europe and the American markets.

More information is available at: https://inspecs.com

CHIEF EXECUTIVE REVIEW

I am pleased to present our results for the six months ended 30 June 2022. The Group has performed well during the period, achieving sales of $138.4m (H1 2021: $125.7m) an increase of $12.7m or 10.1%. The Group made an underlying EBITDA of $15.1m compared to an adjusted $16.8m for the same period in 2021.

On a constant exchange basis[1], the Group revenues rose from $125.7m to $145.5m, an increase of $19.8m or 15.8%.

Two factors led to the Group not exceeding H1 2021 performance at the underlying EBITDA level. Firstly, our lens manufacturing site took longer than expected to reach optimal production following the move and as a result, we were not able to engage fully with our optical customers as delays were caused by infrastructure issues and the recalibration of machinery following the move. We are now starting to see steady progress at Norville and expect it to contribute to the Group profits in 2023.

Secondly, whilst our European business performed ahead of internal budget for the first half, our reported results were affected by a rapid decline in the Euro against the US Dollar. The Euro: US Dollar rate was 1.14 at the start of the year with a relatively small movement in Q1 closing at 1.11 to the Dollar. In Q2 the US Dollar sharply appreciated against the Euro, moving to parity in the quarter and closing in June 2022 at rate of 1.04. Our reporting currency at present is US Dollar and as such our European business and profits reflect this movement in currency. Given the evolution in Group global earnings since our IPO, the Board will review the reporting currency with its advisors and will assess the effect on our reporting in 2023.

In Vietnam, I am pleased to report that plans for our new factory have been submitted and we expect construction to commence later this year, with production expected to begin towards the end of 2023, with distribution in Q1 of 2024.

We have also reached agreement on the new production facility in Portugal based in Setubal near our Lisbon office. Construction is expected to start later this year and I expect the factory will go into production at the end of 2023. Our Italian small scale rolled gold eyewear facility will commence shipments of the premium product in Q4 of this year.

In Europe we have seen a solid market in Q2 rather than the rapid growth we saw in Q1 of 2021. I remain cautious of the overall economic outlook for the European market with continual issues arising from the Ukrainian situation and the global inflation currently prevalent in the marketplace.

We are seeing a similar picture in the USA but Tura continues to win market share.

In the UK, the business environment is similar to those we are experiencing in Europe but again our team is continuing to win market share and our design teams are working hard to ensure our products are on message.

Our team at Skunk Works has been expanded in H1 with two additional employees. We are now starting to see the first commercial benefits of our investment with orders starting to flow from Amazon and we continue to work with Bosch Sensonics on the further development of smart eyewear.

We also continue our work on the development of biodegradable eyewear and packaging to reduce the environmental effect of eyewear. Our recyclable and sustainable products are now in the marketplace, and there has been a good reaction from the market for these products.

We are complementing our finance team with the recruitment of key additional employees to provide greater bandwidth across the Group.

Overall, this was a good H1 despite adverse foreign exchange movements and a delay in achieving optimal production levels following the Norville factory move. Our order books continue to grow and are ahead at 30 June 2022 compared to 30 June 2021, and the Group is working hard on delivering sustained, profitable growth for all our stakeholders.

I would like to thank all our employees on what has been a busy six months and look forward to the second half of 2022 and the medium term with confidence.

Robin Totterman

18 August 2022

FINANCIAL REVIEW

Revenue

Revenue increased to $138.4m from $125.7m in H1 FY21, an increase of 10.1%. This was driven by the continuing integration of Eschenbach and volume growth across the diversity of markets that we now operate in. On a constant exchange rate[1] revenues rose from $125.7m (H1 2021) to $145.5m, an increase of $19.8m or 15.8%.

Underlying Gross Margin

The Group's underlying gross margin increased from 49.1% to 50.5%. The Group continues to actively manage its gross profit margin despite cost inflation.

Operating Profit

The Group operating profit increased 132% to $5.8m (H1 2021: $2.5m).

Underlying EBITDA

The Group underlying EBITDA decreased from $16.8m in H1 2021 to $15.1m in H1 2022.

Finance Expenses

Our net finance costs increased from $1.1m to $1.8m reflecting the rise in interest rates and drawdown in late 2021 of the RCF facility to fund the acquisitions of EGO Eyewear and BoDe Design. Net finance costs include $0.5m (H1 2021: $0.2m) relating to the amortisation of capitalised loan arrangement fees.

Depreciation and amortisation

The increase in depreciation and amortisation is driven by the expansion and the assets owned by the Group.

	Period ended 30 June 2022	**Period ended 30 June 2021**
Depreciation	**3.9m**	4.1m
Amortisation	**4.5m**	3.5m
Total	**8.4m**	7.6m

Profit/(Loss) Before Tax

Profit before tax for the period of $0.8m is after charging $1.2m of non-underlying costs and a foreign exchange loss on borrowings of $2.1m, being a non-cash item.

Cash Generation

The Group generated a net cash inflow from operating activities of $10.1m in H1 2022 compared to S18.8m (H1 2021).

Cash Position
The Group's cash at 30 June 2022 was $30.6m compared to $33.8m at 30 June 2021.

Net Debt
The Group's net debt excluding leasing has decreased from $32.8m at 31 December 2021 to $26.2m as at 30 June 2022.

Leverage
The Group's leverage including leasing reduced by 5% from 1.9 at 31 December 2021 to 1.8 at 30 June 2022. The Group's leasing increased in the first half due to a new lease on the offices in New York and the renewal of new leases for motor vehicles for the Group's sales staff. This increased our leasing liability under IFRS 16 from $22.4m as at 31 December 2021 to $24.5m as at 30 June 2022. Despite this, net debt including leasing reduced by $4.4m over the last 6 months.

Inventory
Our sales to inventory ratio has remained flat compared to 30 June 2021.

	Period ended 30 June 2022	**Period ended 30 June 2021**
Turnover	**138.4m**	125.7m
Inventory	**51.5m**	46.1m
Sales to inventory ratio	**2.7**	2.7

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

The Groups current asset ratio has decreased from 1.8 to 1.6 which reflects the additional borrowing taken out to acquire EGO Eyewear and BoDe Designs in late 2021.

	Period ended 30 June 2022	**Period ended 30 June 2021**
Current Assets	**125.6m**	117.8m
Current Liabilities	**79.0m**	66.0m
Ratio	**1.6**	1.8

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

The quick ratio has decreased in line with the current asset ratio, as they are driven by the same factor of additional borrowing to fund the acquisitions at the end of 2021.

	Period ended 30 June 2022	**Period ended 30 June 2021**
Current Assets	**125.6m**	117.8m
Less Inventory	**(51.5)m**	(46.1)m
	74.1	71.7
Current Liabilities	**79.0m**	66.0m
Ratio	**0.9**	1.1

Earnings per Share

The Group's underlying basic earnings per share of the 6 months to 30 June 2022 was $0.15 compared to $0.17 for the 6 months to 30 June 2021.

Underlying EBITDA

The below table shows how Underlying EBITDA is calculated:

	6 months ended 30 June 2022	6 months ended 30 June 2021 restated	12 months ended 31 December 2021
	$'000	**$'000**	**$'000**
Revenue	138,359	125,746	246,471
Gross Profit	69,825	55,615	115,771
Operating expenses	(64,002)	(53,157)	(114,230)
Operating profit	**5,823**	**2,458**	**1,541**
Add back: Amortisation and impairment on intangible assets	4,548	3,451	11,020
Add back: Depreciation	3,895	4,131	7,430
EBITDA	**14,266**	**10,040**	**19,991**
Add back: Share based payment expense	842	680	1,484
Add back: Purchase price allocation (PPA) adjustment on Eschenbach inventory	-	6,104	5,991
Add back: Underlying EBITDA (loss) for acquisitions in the period	-	-	90
Underlying EBITDA	**15,108**	**16,824**	**27,556**

Underlying Earnings per Share

	$	**$**	**$**
Basic underlying Earnings per Share for the period attributable to the equity holders of the parent	0.15	0.17	0.27
Diluted underlying Earnings per Share for the period attributable to the equity holders of the parent	0.14	0.16	0.26

Underlying EBITDA segmental information

Underlying EBITDA by reportable segment (as defined in note 4) for the six months ended 30 June 2022 is as follows:

	Frames and Optics	Wholesale	Lenses	Total before adjustments & eliminations	Adjustments & elimination	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	126,806	16,200	2,424	145,430	(7,071)	138,359
Operating profit/(loss)	6,496	3,017	(2,845)	6,668	(845)	5,823
Add back:						
Amortisation	3,978	570	-	4,548	-	4,548
Depreciation	2,895	561	439	3,895	-	3,895
Share based payments	584	258	-	842	-	842
Underlying EBITDA	**13,953**	**4,406**	**(2,406)**	**15,953**	**(845)**	**15,108**

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June 2022

	Notes	*Unaudited* 6 months ended 30 June 2022 $'000	*Unaudited restated* 6 months ended 30 June 2021 $'000
REVENUE	4	138,359	125,746
Cost of sales		(68,534)	(70,131)
GROSS PROFIT		69,825	55,615
Distribution costs		(3,568)	(1,774)
Administrative expenses		(60,434)	(51,383)
OPERATING PROFIT		5,823	2,458
Non-underlying costs	9	(1,202)	(1,248)
Exchange adjustments on borrowings		(2,093)	(3,619)
Share of profits of associates		(1)	-
Finance costs		(1,809)	(1,123)
Finance income		51	19
PROFIT/(LOSS) BEFORE INCOME TAX		769	(3,513)
Income tax		(3,547)	(324)
LOSS FOR THE PERIOD		(2,778)	(3,837)
OTHER COMPREHENSIVE INCOME:			
Exchange adjustment on consolidation		(9,312)	3,963
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE PERIOD		(12,090)	126
Earnings per share			
Basic EPS for the period attributable to the equity holders of the parent	5	(0.03)	(0.04)
Diluted EPS for the period attributable to the equity holders of the parent	5	(0.03)	(0.04)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

	Note	*Unaudited* *As at* **30 June 2022** **$'000**	*Unaudited restated* *As at* **30 June 2021** **$'000**	*Audited* *As at* **31 December 2021** **$'000**
ASSETS				
NON-CURRENT ASSETS				
Goodwill		73,139	73,631	81,359
Intangible assets		46,793	50,738	54,454
Property Plant and equipment		46,885	42,620	46,838
Investment in associates		111	57	48
Deferred tax		9,936	12,352	12,540
		176,864	179,398	195,239
CURRENT ASSETS				
Inventories		51,534	46,058	55,664
Trade and other receivables	6	41,946	37,689	42,229
Tax receivable		1,497	246	3,468
Cash and cash equivalents		30,585	33,834	29,759
		125,562	117,827	131,120
TOTAL ASSETS		**302,426**	**297,225**	**326,359**
EQUITY				
SHAREHOLDERS' EQUITY				
Called up share capital		1,389	1,384	1,389
Share premium		122,291	121,940	122,291
Foreign currency translation reserve		(6,494)	3,874	2,818
Share option reserve		2,843	1,547	2,001
Merger reserve		7,296	7,296	7,296
Retained earnings		6,651	10,592	9,429
TOTAL EQUITY		133,976	146,633	145,224
LIABILITIES				
NON-CURRENT LIABILITIES				
Financial liabilities – borrowings				
Interest bearing loans and borrowings	8	64,511	63,191	69,194
Contingent and deferred consideration		7,680	-	8,505
Deferred tax		17,267	21,406	20,517
		89,458	84,597	98,216
CURRENT LIABILITIES				
Trade and other payables	7	48,798	38,549	53,317
Right of return liability		10,793	12,331	11,100
Financial liabilities – borrowings				
Interest bearing loans and borrowings	8	15,966	10,191	13,289
Invoice discounting	8	860	-	2,433
Tax payable		2,575	4,924	2,780
		78,992	65,995	82,919
TOTAL LIABILITIES		168,450	150,592	181,135
TOTAL EQUITY AND LIABILITIES		**302,426**	**297,225**	**326,359**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2022

	Called up share capital	Share premium	Foreign currency translation reserve	Share option reserve	Retained earnings	Merger reserve	Total equity
	$000	$000	$000	$000	$000	$000	$000
SIX MONTHS ENDED 30 JUNE 2022							
Balance at 1 January 2022	**1,389**	**122,291**	**2,818**	**2,001**	**9,429**	**7,296**	**145,224**
Loss for the period	-	-	-	-	(2,778)	-	(2,778)
Other comprehensive loss	-	-	(9,312)	-	-	-	(9,312)
Total comprehensive loss	**-**	**-**	**(9,312)**	**-**	**(2,778)**	**-**	**(12,090)**
Share-based payments	-	-	-	842	-	-	842
Balance at 30 June 2022 (unaudited)	**1,389**	**122,291**	**(6,494)**	**2,843**	**6,651**	**7,296**	**133,976**
SIX MONTHS ENDED 30 JUNE 2021							
Balance at 1 January 2021 (restated)	**1,384**	**121,940**	**(89)**	**867**	**14,429**	**7,296**	**145,827**
Loss for the period	-	-	-	-	(3,837)	-	(3,837)
Other comprehensive income	-	-	3,963	-	-	-	3,963
Total comprehensive loss	**-**	**-**	**3,963**	**-**	**(3,837)**	**-**	**126**
Share-based payments	-	-	-	680	-	-	680
Balance at 30 June 2021 (unaudited)	**1,384**	**121,940**	**3,874**	**1,547**	**10,592**	**7,296**	**146,633**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW
For the period ended 30 June 2022

	Unaudited 6 months ended 30 June 2022 $000	Unaudited restated 6 months ended 30 June 2021 $000
Cash flows from operating activities		
Profit/(loss) before income tax	769	(3,513)
Depreciation charges	3,895	4,131
Amortisation charges	4,548	3,451
Share based payments	842	680
Exchange adjustments on borrowings	2,093	3,619
Loss from associate	1	-
Finance costs	1,809	1,123
Finance income	(51)	(19)
	13,906	**9,472**
(Increase)/decrease in inventories	(1,462)	10,128
(Increase)/decrease in trade and other receivables	(3,997)	4,017
Increase/(decrease) in trade and other payables	1,682	(4,862)
Cash generated from operations	**10,129**	**18,755**
Interest paid	(1,786)	(1,115)
Tax paid	(3,492)	-
Net cash flow from operating activities	**4,851**	**17,640**
Cash flows (used in)/from investing activities		
Purchase of intangible fixed assets	(77)	(86)
Purchase of property plant and equipment	(1,330)	(2,697)
Interest received	51	19
Net cash flows (used in)/from investing activities	**(1,356)**	**(2,764)**
Cash flow from financing activities		
Bank loan principal repayments in period	(2,909)	(3,102)
Principal payments on leases	(2,043)	(1,920)
New loans in the period	2,127	-
Net cash flows used in financing activities	**(2,825)**	**(5,022)**
Net increase in cash and cash equivalents	**670**	**9,854**
Cash and cash equivalents at beginning of the period	**29,759**	**23,776**
Net foreign currency movements	156	204
Cash and cash equivalents at end of period	**30,585**	**33,834**

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 and current economic climate 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 debt including leasing dropping from $(55.2)m at 31 December 2021 to $(50.8)m at 30 June 2022.
- Cash generated from operations in the period amounted to $10.1m (2021 H1: $18.8m).
- The Group has a strong balance sheet, with net assets of $134.0m and net current assets of $46.6m.

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 acquisitions completed over the last two years.

Basis of preparation

The interim consolidated financial statements for the six months ended 30 June 2022 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 2021.

The comparative financial information for the period ended 30 June 2021 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.

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 $672,000 as at 30 June 2022 ($3,067,000 as at 30 June 2021), in line with the accounting methodology used as at 31 December 2021.

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 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.

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 2022 are as below:

	Frames and Optics	Wholesale	Lenses	Total before adjustments & eliminations	Adjustments & elimination	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
External	122,988	13,095	2,276	138,359	-	138,359
Internal	3,818	3,105	148	7,071	(7,071)	-
	126,806	16,200	2,424	145,430	(7,071)	138,359
Cost of sales	(63,583)	(8,860)	(1,970)	(74,413)	5,879	(68,534)
Gross profit	63,223	7,340	454	71,017	(1,192)	69,825
Expenses	(56,727)	(4,323)	(3,299)	(64,349)	347	(64,002)
Operating profit/(loss)	6,496	3,017	(2,845)	6,668	(845)	5,823
Exchange adjustment on borrowings						(2,093)
Non-underlying costs						(1,202)
Finance costs						(1,809)
Finance income						51
Loss of associate						(1)
Taxation						(3,547)
Loss for the period						(2,778)

Reported segments relating to the balance sheet as at 30 June 2022 are as follows:

	Frames and Optics	Wholesale	Lenses	Total before adjustments & eliminations	Adjustments & elimination	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Total assets	406,690	75,084	12,489	494,263	(201,773)	292,490
Total liabilities	(302,238)	(7,914)	(12,626)	(322,778)	254,647	(68,131)
	104,452	67,170	(137)	171,485	52,874	224,359
Deferred tax asset						9,936
Deferred tax liability						(17,267)
Current tax liability						(2,575)
Borrowings						(80,477)
Group net assets						133,976

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.

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 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	(60,471)	(9,442)	(2,473)	(72,386)	2,255	(70,131)
Gross profit	49,978	4,201	1,805	55,984	(369)	55,616
Expenses	(48,865)	(1,988)	(2,598)	(53,451)	294	(53,157)
Operating profit/(loss)	1,113	2,213	(793)	2,533	(75)	2,458
Exchange adjustment on borrowings						(3,619)
Non-underlying costs – acquisitions						(1,248)
Finance costs						(1,123)
Finance income						19
Taxation						(324)
Loss for the period						(3,837)

Reported segments relating to the balance sheet as at 31 December 2021 are as follows:

	Frames and Optics	Wholesale	Lenses	Total before adjustments & eliminations	Adjustments & elimination	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Total assets	436,102	75,568	13,986	525,656	(211,837)	313,819
Total liabilities	(327,303)	(7,444)	(10,813)	(345,560)	270,205	(75,355)
	108,799	68,124	3,173	180,096	58,368	238,464
Deferred tax asset						12,540
Deferred tax liability						(20,517)
Current tax liability						(2,780)
Borrowings						(82,483)
Group net assets						145,224

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.

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 2022	Unaudited 6 months ended 30 June 2021
	$'000s	$'000s
United Kingdom	12,995	12,339
Europe (excluding UK)	71,061	68,721
North America	45,487	40,968
South America	461	169
Asia	6,701	2,369
Australia	1,654	1,180
	138,359	**125,746**

5. EARNINGS PER SHARE

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

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, to the extent that the inclusion of such shares is not anti-dilutive. During the periods ended 30 June 2022 and 30 June 2021 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 2021 restated: $(0.04)), with diluted earnings per share $(0.03) (30 June 2021 restated: $(0.04)). The following table reflects the income and share data used in the basic and diluted EPS calculations:

	30 June 2022	30 June 2021 Restated
SHARES		
	$'000	$'000
Loss attributable to the equity holders of the parent for basic earnings	**(2,778)**	**(3,837)**
	Number of shares	Number of shares
Weighted average number of shares for basic EPS	**101,671,525**	**101,290,898**
Effect of dilution from:		
Share options	5,356,247	4,211,782
Weighted average number of shares adjusted for the effect of dilution	**107,027,772**	**105,502,680**

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

6. TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2022 $'000	Unaudited As at 30 June 2021 $'000	As at 31 December 2021 $'000
Trade receivables	30,413	27,000	29,362
Prepayments	3,971	2,859	3,396
Other receivables	7,562	7,830	9,471
	41,946	**37,689**	**42,229**

7. TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2021 $'000	Unaudited As at 30 June 2021 $'000	As at 31 December 2021 $'000
Trade payables	27,282	19,678	32,801
Amounts owed to related parties	224	147	196
Other payables	587	614	934
Social security and other taxes	5,579	6,380	5,776
Royalties & provisions	6,870	2,453	4,435
Accruals	8,256	9,277	9,175
	48,798	**38,549**	**53,317**

8. NET DEBT

	Unaudited As at 30 June 2022 $'000	Unaudited As at 30 June 2021 $'000	As at 31 December 2021 $'000
Cash and cash equivalents	30,585	33,834	29,759
Interest bearing borrowings excl. leasing	(55,974)	(54,630)	(60,092)
Invoice discounting	(860)	-	(2,433)
Net debt excluding leasing	**(26,249)**	**(20,796)**	**(32,766)**
Lease liability	(24,503)	(18,752)	(22,391)
Net debt including leasing	**(50,752)**	**(39,548)**	**(55,157)**

9. NON-UNDERLYING COSTS

Non-underlying costs in the period relate to accounting alignment of acquisitions which occurred in 2021 as well as work on ongoing acquisition and restructuring.

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 period have the following expiry date and exercise prices:

Grant date	Expected life of options	Exercise price per option $	Number of share options
11 October 2019	3-5 years	1.27	412,102
27 February 2020	3-5 years	2.52	1,923,110
22 December 2020	3-5 years	2.87	1,460,000
26 February 2021	3-5 years	2.93	100,000
26 February 2021	3-5 years	4.53	641,036
21 June 2021	3-5 years	4.87	90,000
31 August 2021	3-5 years	5.09	275,000
23 December 2021	3-5 years	4.95	454,999

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. RESTATED UNDERLYING EBITDA

The 2021 Annual Report and Accounts included restated primary statements for the year to 31 December 2020 relating to prior year adjustments in Tura Inc. The 30 June 2021 comparative primary statements have also been restated within these interims, with the impact on Underlying EBITDA for the six months to 30 June 2021 being as follows:

	$'000
Underlying EBITDA 30 June 2021 interims as released	17,708
Adjustments relating to freight and scrappage	(884)
Restated underlying EBITDA 30 June 2021	**16,824**

12. POST BALANCE SHEET EVENTS

Since the end of the interim period on 30 June 2022 there were no material events that the directors consider material to the users of these interim statements.