2 November 2021

UP Global Sourcing Holdings plc

“Ultimate Products” or the “Group“

FULL YEAR RESULTS FOR THE YEAR ENDED 31 JULY 2021

A year of growth and development amidst unprecedented global disruption

Ultimate Products, the owner, manager, designer and developer of an extensive range of value-focused consumer goods brands, announces its full year results for the year ended 31 July 2021.

Financial and Operational Highlights

- Total revenue increased 17.9 % to £136.4 m (FY 20: £115.7 m)
  - International revenue up +4.4 % to £43.5 m (FY 20: £41.6 m)
  - Online revenue up 23.2 % to £20.6 m (FY 20: £16.7 m)
- Underlying EBITDA^ up 28.3 % to £13.3 m (FY 20: £10.4 m)
- Underlying Profit Before Tax^ up 36.6 % to £11.2 m (FY 20: £8.2 m)
- Profit Before Tax up 13.7 % to £9.5 m (FY 20: £8.4 m)
- Underlying Earnings Per Share^ up 34.2 % to 10.6 p (FY 20: 7.9 p)
- Completed the acquisition of Salter Brands Limited ("Salter") from FKA Brands Limited on 15 July 2021
  - Salter brand now fully integrated and is expected to be significantly earnings enhancing in FY 22
  - The acquisition substantially strengthens the Group’s brand portfolio and enables the growth of Salter in a way that could not have been achieved previously
- Acquisition of PETRA, the German kitchen electrical brand, which will be relaunched and refreshed, before initially entering the German market, followed by launches into other territories
- Net Debt amounted to £18.9 m (FY 20: £3.8 m), with a Net Debt/Underlying EBITDA Ratio^ of 1.4 x (FY 20: 0.4 x)
- Bank Facility Headroom of £16.2 m (FY 20: £21.3 m)
- Current trading remains in line with expectations, with growth expected in FY 22, despite the ongoing challenges of shipping availability and cost
- Full year dividend up 26.9 % to 5.020 p per share (FY 20: 3.955 p per share)
- Post period end: Opening of newly refurbished office at Manor Mill, the Group’s global headquarters in Oldham, following £1.8 m of investment in the space

^ Indicates a non-GAAP measure. Definitions of non-GAAP measures and relevant reconciliations of underlying performance measures, calculated after adding back share-based payment charges and other non-underlying items as referred to in note 7 to the Financial Information, are provided in the 'Glossary' section.

Commenting on the results, Simon Showman, Chief Executive of Ultimate Products, said:

“Once again, we are pleased to have demonstrated Ultimate Products’ resilience and adaptability against the extremely challenging background of the COVID-19 pandemic. While protecting the business and colleagues, as well as continuing to grow and innovate, we have increased support for our local communities, targeting help at those who have been most disadvantaged by the crisis.

Undoubtedly, these achievements have been aided by our flexible model and strong balance sheet, but the key driver has been the remarkable response of colleagues to these exceptional circumstances.

As restrictions ease, it is becoming clear that the pandemic has ushered in structural changes to consumer behaviours, which are to the benefit of Ultimate Products and that we believe are here to stay. More home working and home cooking, a greater emphasis on hygiene and cleanliness, and a *more considered approach to spending all complement our long-standing strategy of developing and building our portfolio of brands that focus on mass-market and value-led consumer goods for the home. The Board therefore remains confident in the Group's long-term prospects."*

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Notes to Editors

Ultimate Products is an owner, manager, designer and developer of a series of well-known brands focused on the home, selling to over 300 retailers across 38 countries. It has five product categories: Audio; Heating and Cooling; Housewares; Laundry; and Small Domestic Appliances. Its brands include Beldray (laundry, floor care, heating and cooling), Intempo (audio), Salter (kitchen and bathroomware), Progress (cookware and bakeware), Kleeneze (laundry and floorcare) and Petra (small domestic appliances).

The Group's products are sold to a broad cross-section of both large national and international multi-channel retailers as well as smaller national retail chains, incorporating discount retailers, supermarkets, general retailers and online retailers. Its best-selling products include frying pans, mugs and speakers, selling approximately one million of each every year.

Founded in 1997, Ultimate Products is headquartered in Oldham, Greater Manchester, where it has design, sales, marketing, buying, quality assurance, support functions and warehouse facilities across two sites. Manor Mill, the Group's head office, includes a spectacular 20,000 sq ft showroom that showcases each of its brands. In addition, the Group has an office and showroom in Guangzhou, China and in Cologne, Germany.

Ultimate Products' graduate development scheme was launched in 2012 and in 2020 it welcomed its 300th graduate. In total, Ultimate Products now employs over 300 staff.

Please note that Ultimate Products is not the owner of Russell Hobbs. The company currently has licence agreements in place granting it an exclusive licence to use the "Russell Hobbs" trademark for cookware (NB this does not include Russell Hobbs electrical appliances).

For further information, please visit www.upgs.com

BUSINESS REVIEW

Strategy

Our purpose is to provide beautiful products for every home. We do this by designing, sourcing and supplying quality houseware products through our innovative, sustainable and customer-orientated capabilities.

The Group's strategy is to develop its portfolio of brands for mass-market, value-led, consumer goods for the home focused on the following channels:-

1. International retailers;
2. Supermarkets;
3. Online platforms; and

4. Discounters.

The Board remains confident that this long-standing strategy will continue to deliver long-term growth.

Board Changes

In September 2020, the Group announced the appointment of Jill Easterbrook and Christine Adshead as Independent Non-Executive Directors. It was also announced that Barry Franks, the Company's co-founder, would step down from the Board but would remain in the business as President in recognition of his outstanding contribution to Ultimate Products since its inception in 1997.

The additions of Jill (formerly CEO of Boden, the fashion retailer) and Christine (a former senior partner at PwC) have added significant additional skills to the existing expertise of the Group's Board.

Performance

Group revenues were up 17.9 % to £136.4 m (FY 20 – £115.7 m), with growth across each of the Group's four strategic pillars, despite a challenging commercial environment with significant operational and shipping disruption as a result of COVID-19.

The Group's balance sheet remains strong despite debt increasing to partly fund the strategic Salter acquisition and we continue to maintain comfortable levels of headroom.

The Group's financial strength and certainty in its long-term funding provides a sound platform for continued growth and, as we have demonstrated with the Salter acquisition, the financial strength to take advantage of any further opportunities to enhance our brand portfolio.

International

International revenue was ahead of last year by 4.4 % (£1.8 m) to £43.4 m (FY 20 – £41.6 m) with Germany performing particularly well, up 26.8 % (£2.9 m), albeit offset elsewhere by the effect of non-essential store closures during COVID-19 lockdowns. The prospects for our international business, which is mainly focused on Europe, remain very encouraging, with Germany representing a particularly exciting opportunity.

Supermarkets

Our brands continue to resonate very well with supermarket customers in both the UK and, increasingly, in Europe, which once again delivered robust growth in FY 21 with revenue up 32.3 % (£9.1 m) to £37.2 m (FY 20 – £28.1 m), with the key drivers being the Salter, Beldray and Russell Hobbs brands. The supermarket segment accounted for 27.3 % of revenue in the year (FY 20 – 24.3 %), which is a continuation of the long-term growth in revenue and increased revenue share from this channel. By way of context, supermarkets accounted for 14.2 % of revenue in FY 17, the year of our IPO. This is being driven by improved customer awareness and perception of our brands, allied with excellent execution and service to the retailer.

Online Platforms

Our online business grew by 23.2 % (£3.9 m) to £20.6 m (FY 20 – £16.7 m) with online accounting for 15.1 % of overall revenue (FY 20 – 14.5 %). Rapid growth in H1 FY 21 of 53.6 % contrasted with a slight decline in H2 FY 21 of 2.7 %, resulting from tighter stock availability caused by the disruption to shipping (see below). We expect that the continued shipping disruption will also dampen online growth during H1 FY 22.

We see this as a momentary pause in the rapid and longstanding growth of our online business until the temporary and external factors impacting stock availability pass. The fundamentals of the underlying business are very strong, as evidenced by the combination of the COVID-19 induced consumer switch to online and our enhanced operational capabilities. We continue to target 30 % of overall revenue from online over the medium term.

Discounters

Sales to discounters increased by 15.3 % (£6.8 m) to £51.5 m (FY 20 – £44.7 m). This represented a significant acceleration in H2 FY 21 as (1) certain discounters, closed as non-essential stores during lockdown, reopened and started placing orders again and (2) others that remained open saw strong performance of our products in-store. We expect to see the discount sector resume its long-term trend of growth and this represents a continued opportunity for Ultimate Products.

Operating Margins

Gross margin decreased to 22.2 % (FY 20 – 23.0 %) as a result of the reduction in margin in H2 FY 21 caused by the increase in shipping costs (see below). Despite this, our underlying EBITDA[1] margin improved by 0.7 % to 9.7 % (FY 20 – 9.0 %), reflecting our relentless and ongoing focus on productivity within the business.

Looking ahead to FY 22, we expect that operating margins will improve further as we benefit from further operating leverage with the Salter acquisition.

Note:

1. *Calculated after adding back share-based payment charges and other non-underlying items as referred to in Note 7.*

OPERATIONAL REVIEW

Salter Acquisition

On 15 July 2021, the Group completed the acquisition of Salter Brands Limited for an initial consideration of £30.6 m, a further £1.1 m post year end and deferred consideration of £2.0 m. The initial consideration was funded by an equity placing of £15.0 m (before fees) and a new bank term loan of £10.0 m with the balance coming from the Group’s existing bank facilities. The acquisition is now fully integrated and is expected to significantly enhance earnings in FY 22.

Salter is the UK’s oldest housewares brand, dating back to 1760 when Richard Salter began making the first spring scales in the UK from the village of Bilston in Staffordshire. Salter has long been the market leader for bathroom and kitchen scales in the UK, along with a growing international presence.

The acquisition of Salter is a significant and exciting moment in the history of Ultimate Products, substantially strengthening our brand portfolio with full ownership now enabling us to drive the growth of this brand in a way we could not have done previously when it was licensed.

Acquisition of Petra

On 9 February 2021, for a total cost of £91,000, the Group purchased Petra, the German kitchen electrical brand. Founded in 1968 in Bavaria, Petra originally specialised in coffee machines before expanding its range into other kitchen electrical products. In recent years, the brand received limited investment from its previous owner, although market research shows that it remains well known to German consumers.

The Group is in the process of relaunching and refreshing the Petra brand in time for the Spring/Summer 2022 season with a new range of kitchen electrical appliances. As the brand is well recognised in Germany, where it has a strong reputation for quality and design innovation, Ultimate Products will initially target this market. In time, it is expected that Petra will be launched into other territories, trading on its German heritage and reputation for quality.

Supply Chain

Global shipping capacity continues to be severely constrained because of worldwide port congestion caused by a mix of factors including labour shortages resulting from COVID, lower port productivity because of additional COVID procedures, catch-up demand as economies reopened and a shortfall in heavy goods drivers. The port congestion is leading to delays as ships have to wait to dock, in turn increasing transit times which is having the effect of significantly reducing global capacity and reliability.

For importers such as ourselves, this drop in global capacity has led to a significant increase in the cost of shipping leading to downward pressure on gross margins. We have taken various steps to mitigate this but gross margins in H2 FY 21 nonetheless were 1.4 % lower than H1 FY 21. Given the scale of increased shipping costs, we were pleased with this outcome.

In addition, the reduced shipping capacity has led to reduced availability of shipping slots with importers typically having to prioritise, ration and reduce the volume of imported product. In our case, we have prioritised our forward orders from retail customers ahead of stock purchases which has had the effect of reducing stock availability for the other parts of our business, including online, during H2 FY 21. Without these constraints on availability, we would have expected higher revenues in H2 FY 21.

We believe that global shipping will remain disrupted until after Chinese New Year (February 2022). While this will continue to make stock availability tighter than we would like, we nonetheless anticipate growth in FY 22 driven through our FOB and forward order channels. This disruption is also predicted to keep shipping costs high, although we expect this to be further mitigated in FY 22 by an improved and largely contracted GBP/USD exchange rate.

The shortage of HGV drivers in the UK is also having a disruptive impact on day-to-day operations although the business is coping well with this challenge.

Head Office Investment

Since FY 20, the Group has invested £1.6 m in its Manor Mill head office in order to provide additional capacity for future growth and a better quality working environment for our colleagues. Colleagues were welcomed into this new work space during September 2021. This investment is an important step in the curation of our talent, providing a workplace that will promote training, collaboration and the interchange of ideas between colleagues.

Employee Share Participation

On 2 December 2020 the Group made a further grant of options over 531,595 ordinary shares under its SAYE Scheme, equating to 0.60 % of the current issued share capital of the Group. Under the SAYE Scheme, all qualifying colleagues are offered the opportunity to participate in the future growth of the business through the granting of share options. As at 31 July 2021, there were 100 colleagues saving each month under the SAYE Scheme, with share options equating to 1.76 % of the current issued share capital of the Group.

On 14 December 2020, the Group also made a further grant of options over 655,000 ordinary shares under the Group's PSP ('Performance Share Plan'), equating to 0.7 % of the current issued share capital of the Group. Simon Showman, Chief Executive, and Andrew Gossage, Managing Director, did not participate in the PSP as they are already substantial shareholders. As at 31 July 2021, there were total share options granted under the PSP to 21 key managers, equating to 1.95 % of the current issued share capital of the Group.

It is intended that any future exercise of options granted to date under the SAYE scheme and the PSP will be fully satisfied through the 4,052,738 ordinary shares currently held in trust by the EBT. Following these grants, the Group had a total of 3,316,012 share options outstanding at 31 July 2021 under the SAYE Scheme and the PSP.

The above share option awards represent a further significant step up in equity participation by colleagues at all levels of the business, with the crucial objective of increased incentivisation and retention of key talent.

Environmental, Social and Governance

Ultimate Products is headquartered in Oldham, Greater Manchester and we are proud to be part of that community, as well as the other international communities in which we operate. We take our role as a responsible and socially engaged corporate citizen very seriously and are committed to helping our local community as it deals with the fall-out from the pandemic. Going into this crisis, Oldham already faced economic and social challenges with a significant proportion of its wards within the 20 % most deprived in England. COVID-19 has compounded these challenges but the response of the community has been remarkable, which reflects the energy, decency and spirit of its people. We have been proud to play our part in these efforts which include supporting the local food bank, NHS and key workers, domestic abuse survivors and young carers. We have also supported a range of initiatives aimed at giving young people access to training, further education and employment.

During FY 21 we repaid the £465,237 received under the Coronavirus Job Retention Scheme. This was made possible because the Group's profitability and cash generation have been stronger than expected during the crisis. Returning this money to the taxpayer was therefore the right thing to do and we are grateful to the government and the taxpayer for providing us with this support.

We continue to invest in our colleagues, support the communities in which we operate and reduce our impact on the environment to ensure the sustainability of the business as we grow. To further support this aspect of our business, we are delighted to report that we have now established a Board level ESG Committee and we look forward to commenting on progress made in next year's Annual Report.

Dividends

The Board has an established dividend policy of distributing 50 % of the Group's adjusted profit after tax. A final dividend is recommended of 3.33 p per share (FY 20 – 2.795 p) to give a total dividend of 5.02 p per share for the full year (FY 20 – 3.955 p), an increase of 26.9 %.

The final dividend is payable on 28 January 2022 to shareholders on the register on 7 January 2022.

Current Trading and Outlook

Shipping availability and cost continues to present challenges and the Board expects that global shipping will remain disrupted until after Chinese New Year (February 2022). Nonetheless current trading remains in line with expectations, with growth expected in FY 22.

The Board also believes that the COVID-19 pandemic has led to long-term changes in consumer attitudes and behaviour, including more home working, more home cooking, a greater emphasis on hygiene and cleanliness, more online shopping and a more considered approach to spending. As Ultimate Products' brands are largely focused on the home, the Group is well placed to take advantage of these trends. This position is reinforced by our focus on leading retailers and the excellent end-to-end service that we provide to them. As a result, we are confident in the future prospects for the business.

FINANCIAL REVIEW

Overview

Given the unprecedented challenges faced in the year, we are very pleased with performance and the resulting growth in revenue and profitability reported for FY 21. Having significantly reduced bank debt in FY 20, and maintained this throughout the majority of FY 21, the increase in net bank debt reported reflects the Salter acquisition completed in July 2021 which is commented on further below. The table below summarises the key financial measures and the comparisons to the prior year.

	FY 21	FY 20	Change
Revenue (£'m)	136.4	115.7	+17.9 %
Gross margin	22.2 %	23.0 %	-80 bps
Underlying EBITDA (£'m)^	13.3	10.4	+28.3 %
Underlying EBITDA margin^	9.7 %	9.0 %	+70 bps
Underlying profit for the year (£'m)^	8.7	6.5	+34.2 %
Profit for the year (£'m)	7.3	6.6	+16.1 %
Net cash generated from operations (£'m)	9.2	15.8	-£6.6 m
Free cash flow (£'m)^	6.5	14.5	-£8.0 m
Net bank debt (£'m)^	18.9	3.8	+£15.1 m
Net bank debt/Underlying EBITDA ratio^	1.4 x	0.4 x	+1.0 x
Underlying earnings per share (p)^	10.6	7.9	+34.2 %

The commentary in the Financial Review uses alternative performance measures, which are described as 'Underlying'. Underlying measures, defined further in the Glossary, exclude the share-based payment charges and other non-underlying items referred to in note 7 to the Financial Information and commented on below.

COVID-19

As reported last year the COVID-19 pandemic and resulting lockdowns introduced over a large part of the world created an unprecedented challenge for the Group and exceptional uncertainty. Having reacted quickly and decisively with a range of protective measures for our colleagues and the business, by the end of FY 20 the Board were able to bring up to date and conclude the various tax deferral schemes. As we entered FY 21, also as reported last year, the Board repaid the government furlough monies claimed and subsequently reinstated the suspended dividend policy, with the FY 20 interim dividend declared in September 2020. The additional bank facilities put in place in the early stages of the pandemic came to an end in January 2021 without being drawn upon.

The business continued to adapt to the changing guidance issued and, in spite of the challenges including retail store closures and shipping challenges as referred to below and elsewhere in this Annual Report, the Group delivered revenue growth and productivity improvements over the course of the year.

Revenue

FY 21 revenue increased by 17.9 % (+£20.7 m) to £136.4 m. Having reported growth of 11.4 % in H1 of FY 21, growth in H2 was 27.1 % which reflected the weaker comparatives as a result of the greater impact from the initial period of the pandemic last year. Our four largest divisions accounted for over 85 % of sales in FY 21, with strong growth in each of Small Domestic Appliances ('SDA'), Housewares and Laundry as they continue to benefit from what we believe is a long-term change in consumer behaviour to more home cooking, working and cleaning. The Audio division, having been particularly impacted by store closures in both UK and Europe in H2 of FY 20, continued to be impacted by closures for a substantial proportion of this year. It did, however, achieve growth in H2.

The earlier Business Review comments further on the performance of our key strategic pillars and the respective challenges and successes over FY 21. Our strongest sectors were the supermarket and online segments, together reporting robust growth of approaching 30 % and further increasing the combined share of sales to 42 % – more than double that in FY 17. However, online growth would have been even stronger without the reduced stock availability in H2 as a result of constrained shipping capacity, which is referred to in more detail in the Operational Review. This is very much seen as a temporary condition that we expect to ease in H2 FY 22, allowing us to continue to progress towards our medium-term target of 30 % share of sales for online.

Brands

Our strategy is to focus on offering a portfolio of brands for mass-market, value-led consumer goods to enable us to become a strongly recognised global supplier of quality homeware products. The summary of the Premier Brands, representing 75.5 % of total revenue (FY 20 – 70.0 %), is set out below:

	FY 21 £'m	FY 20 £'m	Change %
Beldray	42.4	32.8	+29.3
Salter	28.4	25.8	+9.9
Russell Hobbs (licensed)	16.8	11.7	+43.4
Progress	6.7	4.4	+51.5
Intempo	6.5	5.0	+29.0
Kleeneze	2.1	1.2	+80.6
	102.9	80.9	+27.1

Overall growth in the Premier Brands was 27.1 % and significantly outperformed the Group as a whole, with similar levels of growth reported in each of the Group's strategic pillars. We are pleased with the continued development of our newer brands Progress and Kleeneze with substantially higher levels of growth achieved.

The acquisition of the Salter brand, referred to further below, is a significant addition to our proprietorial brands which now account for 76.2 % of total revenue and we expect this % share to increase further, as the scales business will add to our reported sales for Salter in FY 22.

Acquisition of Salter

On 15 July 2021, the Group acquired 100 % of the share capital of Salter Brands Limited. The acquisition added ownership of the Salter brand (excluding North America), along with the market-leading kitchen and bathroom scales business. The Group had licensed the Salter brand for Cookware and SDAs since 2011, with sales of £28.4 m in FY 21.

The acquisition followed an initial assessment of the investment opportunity by the Board which concluded that the acquisition was likely to enhance earnings and, at the same time, would substantially remove one of the Group's reported key risks, the licencing renewal risk for the existing Salter business with revenue of approaching £30 m, enabling the Group to drive the growth of the brand in a way that could not have been done when it was licensed. Having considered and discussed the matter in depth, the Board authorised the Company to enter into a period of exclusivity to carry out thorough commercial, financial and operational due diligence and to engage an extensive team of trusted advisers to support and further challenge the process. During this period, the Board were regularly informed of progress and consulted with updates in the monthly Board meetings and the mid-month Board conference calls, along with further ad hoc discussions and correspondence.

Having completed the extensive due diligence, the Board reconsidered the opportunity and reconfirmed its initial assessments (as noted above), concluding that to proceed with the acquisition would be in the best interest of the Group and its stakeholders. On 24 June 2021, the Board therefore authorised the Company to enter into an agreement, conditional upon shareholder approval, to complete the acquisition, which would be part funded by a £15 m proposed share issue alongside a new £10 m bank term loan facility, with the remainder financed from the substantial headroom within existing bank facilities. At a General Meeting on 13 July 2021, resolutions were passed by shareholders to approve the proposed acquisition and, for the purpose thereof, to authorise the Directors to issue and allot 7,142,857 new ordinary shares of 0.25 p each to raise approximately £15 m, before transaction costs, pursuant to a non-pre-emptive placing and offer for subscription via PrimaryBid.com. As noted above, the acquisition was subsequently completed on 15 July 2021.

A summary of the fair value of the consideration and of the net liabilities acquired are set out below, with further details of the acquisition provided in note 17 to the Financial Information.

	£'m
Total consideration	33.7
Less: Consideration in respect of vendor loan notes	(32.0)
Cost of the business combination	1.7
Intangible assets, being the Salter Brand	27.1
Deferred tax thereon	(6.6)
Inventories	5.3
Trade creditors	(1.9)
Vendor loan notes	(32.0)
Other net assets	0.1
Fair value of the identifiable net liabilities acquired	(8.0)
Goodwill	9.7

Margins

Reported gross margin fell by 80 bps to 22.2 %. Having reported 22.8 % for H1 of FY 21, gross margin declined over H2 to 21.4 %. This was largely driven by the increase in the cost of shipping, as mitigated by a number of actions taken, which was a result of the reduction in global capacity referred to further in the Operational Review. With GBP/USD foreign exchange contract rates broadly similar in the current and previous year, foreign exchange had minimal impact in the year. However, the improvement in the rate seen since late in 2020 has fed into the contract rates taken forward into FY 22 and will provide further mitigation to the continuing high level of shipping costs.

With revenue increasing by 17.9 %, gross profit increasing by 13.7 % and the (EBITDA) overheads increase substantially lower at 4.3 %, underlying EBITDA was 28.3 % higher than last year with the underlying EBITDA margin increasing by 70 bps to 9.7 %. We are very pleased with the improvement in the operating margin which reflects the continued and relentless focus on delivering productivity gains across all areas of the business.

Overheads

Underlying administrative expenses increased by £0.9 m (+5.0 %) to £18.6 m in FY 21, with underlying overheads (excluding depreciation and amortisation) increasing by £0.7 m (+4.3 %) as noted above.

‘Resource costs’ (essentially payroll costs plus temporary staff) remain our most significant cost, accounting for almost 80 % of overheads in the year. As reported last year, in response to the pandemic, some headcount reductions occurred over the latter months of FY 20. This lower starting point increased over the course of the year but such that the average number of employees only increased by 2.4 %, with the average resource levels including temporary staff increasing by 3.8 %. Overall wages and salaries increased by £1.6 m but of this, £1.1 m was the increase in performance-related bonus costs which were negligible in FY 20.

Other overheads were £0.9 m lower than last year, almost entirely representing the reduction in travel and exhibition costs as a result of the pandemic.

Share-Based Payment Charges and Other Non-Underlying Items

Ordinarily, we would expect our non-underlying items to only be the non-cash share based payment charges. However, this year we include the cost of repaying the £0.5 m furlough monies claimed (and reported as non-underlying) in FY 20, along with the non-recurring costs of £0.9 m incurred in the acquisition of Salter referred to above. Details of items classed as non-underlying are set out in note 7 to the Financial Information and reconciliations of underlying performance measures are set out at the end of this Annual Report.

These non-cash, share-based payment charges and other non-underlying items have been shown separately in the Income Statement to better reflect the performance of the underlying business.

Further information on the share option schemes and the charges thereon are set out in note 27 to the Financial Information.

Interest

Finance costs were £0.2 m lower (-31.2 %) than FY 20. The reduction in bank debt over the course of H2 FY 20 continued throughout FY 21 until the Salter acquisition in July. Our interest costs also include the ongoing arrangement and trading-related facility fees, along with costs for interest rate protection and this typically results in a less than pro rata ‘flow through’ of the reduction in debt levels to the total interest cost.

Taxation

The effective underlying corporation tax rate is 21.7 % (FY 20 – 20.3 %). The rate increased in FY 21 as the FY 20 charge benefited from an adjustment to the prior year, reducing the FY 20 charge by 1.7 % whereas such an adjustment in FY 21 was negligible. The overall rate is higher than the current UK Corporation Tax rate of 19 % due largely to the impact of overseas tax rates. This impact and the adjustment in respect of the prior year are set out in the tax charge reconciliation in note 12 to the Financial Information.

Ultimate Products is a responsible tax payer and in the UK, in FY 21, we incurred taxes in cash of £4.7 m which were ultimately borne by the company. This included corporation tax, customs duties, employer national insurance contributions and the repayment of furlough monies. In addition, the Group collected a further £9.8 m of tax on behalf of the UK Exchequer, relating to VAT and employee taxation.

Our business relies upon our reputation with the general public, as they form our ultimate customers, and with our wider stakeholders, with whom we need to maintain good relationships. It is therefore important that we continue to meet both our responsibilities to comply with tax legislation and to pay the right amount of tax by the appropriate dates.

Balance Sheet and Cash Flow

The Group's balance sheet strengthened further over the year, with net assets increasing by £18.7 m to £32.1 m. As well as the increase in retained earnings of £3.3 m, after paying dividends of £4.4 m (which this year included the deferred FY 20 interim dividend of £0.9 m), the more significant increase arose from the £15.0 m share issue to part finance the Salter acquisition. After costs, the net increase to equity from the share issue amounted to £14.4 m.

The key points to note regarding the balance sheet and cash flow can be summarised as follows:

Non-current assets increased by £37.4 m, largely representing the acquisition of the Salter brand (£27.1 m) and the goodwill arising thereon (£9.7 m). A deferred tax liability of £6.6 m is recognised further down the balance sheet relating to the recognition of the Salter brand. Property, plant and equipment increased by £0.6 m and this includes the capital expenditure on the Head Office investment of £1.5 m in the year, on which depreciation will commence in FY 22. The total expenditure to date amounts to £1.6 m.

Working capital increased by £1.9 m in FY 21 (+11.0 %), compared to a 17.9% increase in revenue.

- Inventories increased by 35.3 % (+£5.7 m) in FY 21 although this increase almost entirely relates to the inventories acquired under the Salter acquisition (+£5.3 m). Last year we reported that stock levels were lower than normal due to the accelerated growth of online during lockdown and strong demand for sales from stock as non-essential retailers reopened. This year, inventory levels have continued to be low but by the year end this was due to the reduced shipping capacity and our response to prioritise shipping of forward orders from retail customers, ahead of stock for other parts of the business.
- Trade and other receivables increased by £8.0 m (+43.5 %) and this was primarily an increase in trade debtors. This increase was due to both higher sales in the final months of the year along with an increase in debtor days from 49 to 57. The increase in debtor days reflects periodic changes in customer invoicing mix but it remains within the expected range.
- Trade and other payables are £11.8 m (+67.2 %) higher than last year, with trade payables £8.5 m (79.2 %) higher which includes £1.9 m as a result of the Salter acquisition. The Group has continued to secure some increase in payment terms from factories in China but this is supported by a balanced trading relationship, the Group's strong financial position and a delivered commitment to pay promptly. Accruals have increased by £2.3 m as a result of a combination of trading volume and performance-related bonuses.

Derivative financial instruments largely relate to the Group's forward foreign exchange contracts taken out under the Group's consistently applied hedging policy. At the end of FY 21, the total of the derivative financial instruments amounts to an asset of £0.2 m (FY 20 – a liability of £1.3 m), which is largely reflected in the hedging reserve at 31 July 2021 (similarly in FY 20). The low level of the asset reflects the rates on the forward foreign exchange contracts being relatively closely aligned to the closing exchange rates of £1 = €1.39 and £1 = €1.17.

The Employee Benefit Trust reserve represents the shares purchased by the UPGS EBT. There was negligible movement in the EBT's shareholding over the course of the year and it now holds 4,052,738 shares in the Group (representing 4.54 % of the Group's issued share capital). The Group intends to satisfy the exercise of share options awarded under its SAYE and PSP schemes, through the shares held by the trust, without dilution to existing shareholders.

Cash Flow and Bank Debt

As set out in the table below, net cash from operations amounted to £9.2 m, a reduction of £6.6 m compared to FY 20, with £6.5 m flowing through to free cash flow, which is, to some extent, lower than normal due to the higher level of capital expenditure incurred in the Head Office refurbishment. The conversion of EBITDA to operating cash was 79 % which is in the normal range. The significant reduction in working capital in FY 20 was exceptional, resulting in the abnormally high conversion of EBITDA.

	FY 21	**FY 20**
	£'m	**£'m**
EBITDA^	11.6	10.6
Changes in working capital	0.6	6.9
Tax paid	(2.6)	(2.3)
Other items	(0.4)	0.6
Net cash from operations	9.2	15.8
Net capital expenditure	(2.4)	(0.6)
Net interest paid	(0.3)	(0.7)
Free cash flow^	6.5	14.5

After the free cash flow of £6.5 m, the significant other cash movements include:-

- the initial consideration for the Salter acquisition of £30.6 m, partly funded by a share issue raising £14.4 m after associated costs;
- dividends of £4.4 m were paid (FY 20 – £2.3 m) – FY 21 included the payment of the deferred FY 20 interim dividend of £0.9 m; and
- the capital element of IFRS 16 lease obligations amounted to £0.7 m.

Overall, this resulted in an increase in net bank debt (calculated below) of £15.1 m to £18.9 m, with the corresponding net debt/underlying EBITDA ratio (the 'leverage ratio') increasing from 0.4 x to 1.4 x.

	FY 21	**FY 20**
	£'m	**£'m**
Bank borrowings excluding unamortised debt issue costs (note 23)	19.0	4.1
Cash and cash equivalents (note 21)	(0.1)	(0.3)
Net bank debt	18.9	3.8

It is important, however, to point out that the debt and leverage ratio both include a substantial proportion of the debt arising from the acquisition but with the acquisition so close to the year end, the addition to earnings will arise in FY 22. For reference, if the net cash out flows arising from the acquisition of £17.2 m were excluded, then the 'like for like' leverage ratio would have been 0.1 x. This reflects the patterns experienced over the course of FY 21, when the average net bank debt and the average leverage ratio for the 11 months prior to the acquisition were £1.0 m and 0.1 x.

At 31 July 2021, the Group reports being in a strong financial position with cash balances of £0.1 m, senior debt of £13.0 m and borrowings under the trade facilities of £6.1 m (FY 20 – £3.9 m), the latter being supported by underlying net trading assets of £27.8 m (FY 20 – £23.3 m). Headroom on the Group's bank facilities amounted to £16.2 m (FY 20 – £21.3 m).

Financing and Going Concern

The Group's day-to-day financing is supported by a suite of trade and revolving credit facilities provided by HSBC Bank plc, further information on which is provided in note 23 to the Financial Information. As reported previously, on 1 October 2019 the Company entered into a five-year financing agreement with HSBC, providing long-term support for the future development of the business. As referred to above and also set out in note 23, on 24 June 2021 the Company entered into a £10 m amortising term loan agreement with HSBC to partly fund the Salter acquisition; this also runs until October 2024.

Over the course of the year, the Group has operated well within the covenants of the banking facilities and has maintained comfortable levels of funding headroom. Headroom at 31 July 2020 was £16.2 m (31 July 2020 – £21.3 m).

The Group's projections show that the Group will be able to operate within its existing banking facilities and covenants. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of these Financial Statements and, as such, has applied the going concern principle in preparing the Annual Report and Financial Statements.

Brexit

The transition period following the UK's departure from the EU in January 2020 came to an end on 31 December 2020. This was followed by a period of general disruption for the export of goods from the UK into the EU as businesses, hauliers and customs adapted to the new rules. The export of goods from the UK into the EU accounts for less than 10 % of the Group's revenues, as the bulk of its EU business is imported directly into that territory, typically from China, without touching the UK.

For that part of the business which has been affected by these changes, the Group has adapted well to the new environment despite there being some disruption in the early part of CY 21.

James McCarthy
Chairman

Simon Showman
Chief Executive Officer

Consolidated Income Statement

	Note	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Continuing Operations			
Revenue	6	136,367	115,684
Cost of sales		(106,136)	(89,084)
Gross profit		30,231	26,600
Underlying administrative expenses		(18,563)	(17,684)
Underlying profit from operations		11,668	8,916
Share-based payment charges and other non-underlying items	7	(1,642)	199
Administrative expenses		(20,205)	(17,485)
Profit from operations	8	10,026	9,115
Finance costs	11	(518)	(753)
Profit before taxation		9,508	8,362
Income tax	12	(2,195)	(1,747)
Profit for the year attributable to the equity holders of the Company		7,313	6,615
		Pence	Pence
Earnings per share – basic	13	9.3	8.4
Earnings per share – diluted	13	9.1	8.3

Consolidated Statement of Comprehensive Income

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Profit for the year	7,313	6,615
Other comprehensive income		
Items that may subsequently be reclassified to the income statement:		
Fair value movements on cash flow hedging instruments	(162)	(961)
Hedging instruments recycled through the income statement at the end of hedging relationships	961	(1,238)
Items that will not subsequently be reclassified to the income statement:		
Foreign currency retranslation	(13)	(8)
Other comprehensive income for the year	786	(2,207)
Total comprehensive income for the year attributable to the equity holders of the Company	8,099	4,408

Consolidated Statement of Financial Position

	Note	As at 31 July 2021 £'000	As at 31 July 2020 £'000
Assets			
Intangible assets	15	27,253	86
Goodwill	15	9,676	-
Property, plant and equipment	16	5,719	5,065
Deferred tax	18	-	106
Total non-current assets		42,648	5,257
Inventories	19	21,674	16,022
Trade and other receivables	20	26,544	18,495
Derivative financial instruments	25	384	53
Current tax asset		62	-
Cash and cash equivalents	21	133	329
Total current assets		48,797	34,899
Total assets		91,445	40,156
Liabilities			
Trade and other payables	22	(29,451)	(17,614)
Derivative financial instruments	25	(220)	(1,342)
Current tax		-	(280)
Borrowings	23	(7,951)	(3,903)
Lease liabilities	24	(771)	(710)
Deferred consideration	17	(990)	-
Total current liabilities		(39,383)	(23,849)
Net current assets		9,414	11,050
Borrowings	23	(10,847)	(89)
Deferred tax	18	(6,147)	-
Deferred consideration	17	(983)	-
Lease liabilities	24	(2,030)	(2,804)
Total non-current liabilities		(20,007)	(2,893)
Total liabilities		(59,390)	(26,742)
Net assets		32,055	13,414
Equity			
Share capital	26	223	205
Share premium	28	14,334	2
Employee Benefit Trust reserve	28	(2,152)	(2,155)
Share-based payment reserve	28	1,024	796
Hedging reserve	28	(162)	(961)
Retained earnings	28	18,788	15,527
Equity attributable to owners of the Group		32,055	13,414

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Employee Benefit Trust reserve £'000	Share-based payment reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total Equity £'000
As at 1 August 2019	205	2	(1,649)	529	1,238	11,227	11,552
Profit for the year	-	-	-	-	-	6,615	6,615
Foreign currency retranslation	-	-	-	-	-	(8)	(8)
Cash flow hedging movement	-	-	-	-	(2,199)	-	(2,199)
Total comprehensive income for the year	-	-	-	-	(2,199)	6,607	4,408
Transactions with shareholders:							
Dividends payable (note 14)	-	-	-	-	-	(2,307)	(2,307)
Share-based payments (note 7)	-	-	-	267	-	-	267
Purchase of own shares by the Employee Benefit Trust	-	-	(506)	-	-	-	(506)
As at 31 July 2020	205	2	(2,155)	796	(961)	15,527	13,414
Profit for the year	-	-	-	-	-	7,313	7,313
Foreign currency retranslation	-	-	-	-	-	(13)	(13)
Cash flow hedging movement	-	-	-	-	799	-	799
Total comprehensive income for the year	-	-	-	-	799	7,300	8,099
Transactions with shareholders:							
Ordinary shares issued (note 26)	18	14,332	-	-	-	-	14,350
Dividends payable (note 14)	-	-	-	-	-	(4,409)	(4,409)
Share-based payments (note 7)	-	-	-	228	-	-	228
Deferred tax on share-based payments	-	-	-	-	-	370	370
Sale of own shares by the Employee Benefit Trust	-	-	3	-	-	-	3
As at 31 July 2021	223	14,334	(2,152)	1,024	(162)	18,788	32,055

Consolidated Statement of Cash Flows

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Net cash flow from operating activities		
Profit for the year	7,313	6,615
Adjustments for:		
Finance costs	518	753
Income tax expense	2,195	1,747
Depreciation	1,563	1,417
Amortisation	16	12
Loss on disposal of non-current asset	44	18
Derivative financial instruments	(678)	324
Share-based payments	228	267
Income taxes paid	(2,566)	(2,255)
Working capital adjustments		
(Increase)/decrease in inventories	(368)	4,377
(Increase)/decrease in trade and other receivables	(8,091)	150
Increase in trade and other payables	9,031	2,339
Net cash from operations	9,205	15,764
Cash flows used in investing activities		
Acquisition of subsidiary (see note 17)	(30,578)	-
Purchase of intangible assets	(111)	-
Purchase of property, plant and equipment	(2,263)	(601)
Proceeds from the sale of property, plant and equipment	3	12
Net cash used in investing activities	(32,949)	(589)
Cash flows used in financing activities		
Sale/(Purchase) of own shares	2	(506)
Proceeds from borrowings	16,048	-
Repayment of borrowings	(1,144)	(10,439)
Principal paid on lease obligations	(713)	(773)
Proceeds from issue of new shares (net of costs)	14,350	-
Debt issue costs paid	(245)	(240)
Dividends paid	(4,409)	(2,307)
Interest paid	(335)	(698)
Net cash generated by/(used in) finance activities	23,554	(14,963)
Net (decrease)/increase in cash and cash equivalents	(190)	212
Exchange losses on cash and cash equivalents	(6)	(5)
Cash and cash equivalents brought forward	329	122
Cash and cash equivalents carried forward	133	329

Notes to the Financial Information

1. General Information

UP Global Sourcing Holdings plc ('the Company') and its subsidiaries (together 'the Group') is a supplier of branded, value-for-money household products to global markets.

The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in England and Wales. The address of its registered office is UP Global Sourcing Holdings plc, Manor Mill, Victoria Street, Chadderton, Oldham OL9 0DD.

This consolidated financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 July 2020 are an extract of the Company's statutory accounts for the year ended 31 July 2020 prepared in accordance with International Financial Reporting Standards (IFRS), approved by the Board of Directors on 2 November 2020 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 July 2021 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The Auditors have reported on those accounts; their report was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

2. Basis of Preparation

The consolidated Group Financial Statements and Company Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The consolidated Group Financial Statements and Company Financial Statements are presented in Sterling and rounded to the nearest thousand unless otherwise indicated. The Financial Statements are prepared on the historical cost basis, except for certain financial instruments and share-based payments that have been measured at fair value.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented an income statement or a statement of comprehensive income for the Company alone.

Going Concern Basis

The Group meets its day-to-day working capital requirements through its bank facilities which are subject to various facility limits and covenants. The Directors have considered the principal risks faced by the business and assessed the impact of a severe but plausible downside scenario, including the impact of a further extensive and prolonged lockdown as a result of COVID-19, having regard to the experiences from the previous lockdowns. In assessing whether the Group could withstand such negative impacts, the Board has considered cash flow, impact on debt covenants and headroom against its current borrowing facilities. The Group's projections show that the Group will be able to operate within its existing banking facilities and covenants. Therefore, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of these Financial Statements and, as a result, they have applied the going concern principle in preparing its consolidated and Company Financial Statements.

Further information on the assumptions and judgements used in the going concern assessment is included in note 4.

3. Accounting Policies

The principal accounting policies adopted are set out below.

Basis Of Consolidation

The consolidated Financial Statements incorporate the assets, liabilities, income and expenses of the Company and entities controlled by the Company (its subsidiaries) made up to the Company's accounting reference date. Control is achieved when the Company has the power over the investee, is exposed or has rights to variable return from its involvement with the investee and has the ability to use its power to affect its returns. The Company reassesses 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 listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the date that the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intra Group assets and liabilities, equity, income, expenses and cash flows, relating to transactions between the members of the Group, are eliminated on consolidation.

The results of overseas subsidiaries are translated at the monthly average rates of exchange during the period and their statements of financial position at the rates ruling at the reporting date. Exchange differences arising on translation of the opening net assets and on foreign currency borrowings or deferred consideration, to the extent that they hedge the Group's investment in such subsidiaries, are reported in the statement of comprehensive income. All Financial Statements are drawn up to 31 July 2021.

Employee Benefit Trust ('EBT')

As the Group is deemed to have control of its EBT, it is treated as a subsidiary and consolidated for the purposes of the Consolidated Financial Statements. The EBT's assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line-by-line basis in the Consolidated Financial Statements. The EBT's investment in the Company's shares is deducted from equity in the Consolidated Statement of Financial Position as if they were treasury shares.

Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Currencies

Presentational Currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Group operates which is Sterling (£).

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or at an average rate for a period if the rates do not fluctuate significantly. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Revenue Recognition and Rebates

Revenue is recognised at a point in time on the satisfaction of each performance obligation as that obligation is satisfied.

Performance obligations relate to the sale of goods and revenue is recognised at the point when goods are delivered, and control has passed to the customer.

Revenue is measured as the fair value of the consideration received or receivable and represents the amount receivable for goods supplied and services rendered, net of returns and expected returns, discounts and rebates given by the Group to customers.

The Group has rebate agreements in place with certain customers. The rebates are treated as variable consideration and are recognised at the point of sale as a deduction from revenue. Where the calculation of variable consideration including rebates and contributions involves estimation, the expected charge is calculated based on past history of claims and expected revenue over the rebate contract term. Revenue is only recognised to the extent that there is not deemed to be a significant chance of reversal.

Non-Underlying Items

Non-underlying items relate to costs or incomes that derive from events or transactions that fall outside the normal activities of the Group, and so have been disclosed separately to better reflect management’s view of the performance of the Group. Details of non-underlying items are set out in note 7.

Intangible Assets and Goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Goodwill that arises on business combinations and the acquisition of subsidiaries is stated at cost less any impairment losses.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following basis:

Trademarks – 10 years

Brands are considered to have an indefinite useful life and are therefore not subject to regular amortisation.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Such assets acquired in a business combination are initially recognised at their fair value at acquisition date. Depreciation is charged so as to write off the costs of assets over their estimated useful lives, on a straight-line basis starting from the month they are first used, as follows:

Fixtures, fittings and equipment – 16–50 %

Motor vehicles – 25 %

Right of use assets – shorter of the lease term or the useful life of the underlying asset

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in profit or loss.

Impairment of Intangible Assets and Property, Plant and Equipment

At each reporting end date, the Group reviews the carrying amounts of its intangible and tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Investments

Investments in subsidiaries are carried at cost less impairment. The Group's share option schemes operate for employees of the subsidiary company UP Global Sourcing UK Limited. As such, in accordance with IFRS 2, the share-based payment charge in relation to these options is shown as an increase in investments in the subsidiary company.

Inventories

Inventories are valued using a first in, first out method and are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in the normal course of business in bringing the products to their present location and condition.

At the end of each reporting 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. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

Income tax

The tax expense or credit represents the sum of the tax currently payable or recoverable and the movement in deferred tax assets and liabilities.

Current Income Tax

Current tax is based upon taxable income for the year and any adjustment to tax from previous years. Taxable income differs from net income in the income statement because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The calculation uses the latest tax rates for the year that have been enacted or substantively enacted by the dates of the Statement of Financial Position.

Deferred Tax

Deferred tax is calculated at the latest tax rates that have been substantively enacted by the reporting date that are expected to apply when settled. It is charged or credited in the Income Statement, except when it relates to items credited or charged directly to equity, in which case it is also dealt with in equity.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable income, and is accounted for using the liability method. Deferred tax liabilities and assets are not discounted.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the asset can be utilised. Such assets are reduced to the extent that it is no longer probable that the asset can be utilised.

Deferred tax assets and liabilities are offset when there is a right to offset current tax assets and liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority, on either the same taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

Payroll Expense and Related Contributions

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Pension Costs

The Group operates a defined contribution pension scheme for employees. The annual contributions payable are charged to profit or loss.

Share-Based Compensation

The Group issues share-based payments to certain employees and Directors. Equity-settled, share-based payments are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, along with a corresponding increase in equity. The incentives are offered to employees of subsidiary companies and as such the value of the share-based payments are shown as additions to investments in the Parent Company Financial Statements.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of any revision is recognised in profit or loss, with a corresponding adjustment to equity reserves.

The fair values of share options are determined using the Monte Carlo and Black Scholes models, taking into consideration the best estimate of the expected life of the option and the estimated number of shares that will eventually vest.

Dividends

Dividends are recognised as a liability and deducted from equity at the time they are declared. Otherwise dividends are disclosed if they have been proposed or declared after the year end and before the relevant Financial Statements are approved.

Financial Instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Trade and Other Receivables

Trade and other receivables, and amounts owed by Group undertakings, are classified at amortised cost and recognised initially at fair value and subsequently measured at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) less provisions for impairment. These assets are held to collect contractual cash flows being solely the payments of the principal amount and interest. Provisions for impairment of trade receivables are recognised for expected lifetime credit losses using the simplified approach. Impairment reviews of other receivables, including those due from related parties, use the general approach whereby twelve month expected losses are provided for and lifetime credit losses are only recognised where there has been a significant increase in credit risk, by monitoring the creditworthiness of the other party.

Government Grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. Grants are recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

Cash and Cash Equivalents

Cash and cash equivalents are held at amortised cost and consist of cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and Other Payables

Trade and other payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method. This method allocates interest expense over the relevant period by applying the ‘effective interest rate’ to the carrying amount of the liability.

Borrowings

Interest-bearing overdrafts and invoice discounting facilities are classified as other liabilities. They are initially recorded at fair value, which represents the fair value of the consideration received, net of any direct transaction costs associated with the relevant borrowings. Borrowings are subsequently stated at amortised cost and finance charges are charged to profit or loss over the term of the instrument using an effective rate of interest. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Leases

The Group assesses whether a contract is, or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

The Group as a lessee:

A right-of-use asset and corresponding lease liability are recognised at commencement of the lease. The lease liability is measured at the present value of the lease payments, discounted at the lessee’s incremental borrowing rate specific to the term, country, currency and start date of each lease. Lease payments include: fixed payments; variable lease payments dependent on an index or rate, initially measured using the index or rate at commencement; the exercise price under a purchase option if the Group is reasonably certain to exercise; penalties for early termination if the lease term reflects the Group exercising a break option; and payments in an optional renewal period if the Group is reasonably certain to exercise an extension option or not exercise a break option.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured, with a corresponding adjustment to the right-of-use asset, when there is a change in future lease payments resulting from a rent review, change in an index or rate such as inflation, or change in the Group's assessment of whether it is reasonably certain to exercise a purchase or extension option or not exercise a break option.

The right-of-use asset is initially measured at cost, comprising: the initial lease liability; any lease payments already made less any lease incentives received; initial direct costs; and any dilapidation or restoration costs. The right-of-use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. At each reporting date, the Group reviews the carrying amounts of its right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification. If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy. In all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Leases of low-value assets and short-term leases of 12 months or less are expensed to the income statement, as are variable payments dependent on performance or usage, 'out of contract' payments and non-lease service components.

Classification as Debt or Equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Derivatives

Derivatives are initially recognised at the fair value on the date that the derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivatives are recognised in the income statement within finance costs or income as appropriate, unless they are included in a hedging arrangement. Derivatives are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Hedging Arrangements

The Group applies hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies. Forward foreign exchange contracts are held to manage exchange rate exposures and are designated as cash flow hedges of foreign currency exchange rates.

The Group also applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, which are deemed to be effective, are recognised directly in equity within a cash flow hedging reserve. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change of the fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the income statement.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. If a forecast transaction is no longer considered highly probable but the forecast transaction is still expected to occur, the cumulative gain or loss recognised in other comprehensive income is frozen and recognised in profit or loss. Subsequent changes in the fair value of the derivative are recognised in profit or loss. If, at any point, the hedged transaction is no longer expected to occur, the cumulative gain or loss is reclassified from the cash flow hedge reserve to profit or loss immediately.

The effective portion of gains and losses on derivatives used to manage cash flow interest rate risk are also recognised in other comprehensive income and accumulated in the cash flow hedge reserve. However, if the Group closes out its position early, the cumulative gains and losses recognised in other comprehensive income are frozen and reclassified from the cash flow hedge reserve to the profit or loss account. The ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognised in profit or loss within finance expense or finance income.

Accounting Developments

New standards, amendments and interpretations adopted in the preparation of the Financial Information.

The IASB has issued the following standards and amendments, which have been adopted by the Group and have not had a material impact.

Standard	**Key Requirements**
Amendments to IAS 1 and IAS 8: Definition of material	The Group adopted the amendments to IAS 1 and IAS 8 to clarify the definition of material and its application for the accounting period commencing 1 August 2020.
Amendments to References to the Conceptual Framework in IFRS Standards	The Group adopted the amendments References to the Conceptual Framework for IFRS Standards for the accounting period commencing 1 August 2020.

Amendment to IFRS 16 Leases – COVID-19-Related Rent Concessions	The Group adopted the amendments to IFRS 16 Leases – COVID-19-Related Rent Concessions for the accounting period commencing 1 August 2020.

The Group does not expect any standards issued by the IASB, but not yet effective, to have a material impact on the Group.

4. Critical Accounting Estimates and Judgements

The preparation of these Financial Statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at each Statement of Financial Position date and the reported results. Actual results could differ from these estimates. Information about such judgements and estimations is contained in individual accounting policies.

Accounting Estimates

The key sources of estimation uncertainty, that could cause an adjustment to be required to the carrying amount of an asset or liability within the next accounting period, are outlined below:

Inventory Provisioning

The Group sources, imports and sells products across a range of categories including small domestic appliances, audio, laundry, housewares, heating and cooling and luggage, and is subject to changing consumer demands and trends. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods. The carrying amount of inventory provisions at the balance sheet date is £595,000 (2020 – £349,000).

Customer Rebates

The Group makes estimates of the amounts likely to be paid to customers in respect of rebate arrangements. When making these estimates, management takes account of contractual customer terms, as well as estimates of likely sales volumes, to determine the rates at which rebates should be accrued in the Financial Statements. The carrying amount of rebate accruals at the balance sheet date is £2,128,000 (2020 – £2,106,000).

Valuation of Derivatives Held at Fair Value Through Profit or Loss

In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third-party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The carrying amounts of derivatives and balance sheet currency exposures at the balance sheet date, together with sensitivities thereon are disclosed in note 25.

Discount Rate for Leases

The discount rate used to calculate the lease liability is the incremental borrowing rate which is determined at the lease commencement date with consideration to the term, country and currency of the lease. The incremental borrowing rate is determined based on the entities' existing borrowing rates. Management have performed a sensitivity analysis on the rate used and note that decreasing or increasing the rate by 1 % will not have a material impact on the Financial Statements.

Valuation of Intangibles Acquired in a Business Combination

On acquisition of a subsidiary or business, the purchase consideration is allocated between the net tangible and intangible assets other than goodwill on a fair value basis, with any excess purchase consideration representing goodwill. The valuation of acquired intangible assets represents the estimated economic value in use, using standard valuation methodologies, including as appropriate, discounted cash flow, relief from royalty and comparable market transactions. Acquired intangible assets are capitalised and amortised systematically over their estimated useful lives, subject to impairment review. The assumptions used are subject to management estimation.

Valuation of Goodwill and Assets with an Indefinite Life

Goodwill and Brands with indefinite useful lives are subject to annual impairment reviews. An impairment is recognised if the recoverable amount of an asset is estimated to be less than its carrying amount.

The recoverable amount of the Group's goodwill and brands has been determined by a value-in-use calculation using a discounted cash flow model, based on a three-year projection period approved by management and extrapolated for a further 25 years using a steady rate, together with a terminal value.

Key assumptions used in the discounted cash flow model include a 10 % pre-tax discount rate, a 2 % per annum projected revenue growth rate, and a 2 % per annum increase in operating costs and overheads. The discount rate of 10 % pre-tax reflects management's estimate of the time value of money and the Group's weighted average cost of capital, the risk-free rate and the volatility of the share price relative to market movements.

Accounting Judgements

The key accounting judgements used in the preparation of the Financial Statements are as follows:

Determination of Lease Term

Management exercises judgement in determining the likelihood of exercising break or extension options in determining the lease term. Break and extension options are included to provide operational flexibility should the economic outlook for an asset be different to expectations and hence at commencement of the lease, break or extension options are not typically considered reasonably certain to be exercised, unless there is a valid business reason otherwise.

Recognition of Deferred Tax Assets

The extent to which deferred tax assets can be recognised is based upon an assessment of the probability that future taxable income will be available, against which the deductible temporary differences and tax loss carry forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties.

Going Concern

The Directors have adopted the going concern basis in preparing these accounts after assessing the principal risks and having considered the impact of a severe but plausible downside scenario, including a further extensive and prolonged lockdown as a result of COVID-19, recognising the ongoing risk of further periods of lockdown. The Directors considered the impact of the current COVID-19 environment and other principal risks on the business for the next 12 months and the longer-term viability period. We have considered a number of impacts on sales, profits and cash flows, taking into account experiences from the previous periods of lockdown. During previous lockdowns, our distribution centres remained open, operating under strict health and safety protocols in line with government guidance, and we continued to serve our online channel along with the 'essential' bricks and mortar customers who remained open in the UK and internationally.

We have assumed that our distribution centre operations remain open and that we will continue to be able to sell our products through our online channel and to 'essential' customers who remain open. Whilst the virus may impact across many functions of the business from supply chain to the ability of our retail customers to sell to consumers, it would most likely manifest itself in lower sales volumes and require further consideration of actions in relation to operational cost reductions. During the first lockdown commencing in March 2020, the Group took advantage of the Coronavirus Job Retention Scheme ('CJRS') and the various 'Time to Pay' initiatives offered to defer tax liabilities, along with adding a temporary increase to the revolving credit facilities. All Time to Pay deferrals had been repaid by the end of July 2020. The amounts claimed under the CJRS were repaid in full in September 2020 and the Group reduced its borrowings over the period with no requirements to draw on the increased bank facilities.

The Directors have considered the resilience of the Group in severe but plausible scenarios, taking account of its current position and prospects, the principal risks facing the business, including those relating to COVID-19, how these are managed and the impact that they would have on the forecast financial position. In assessing whether the Group could withstand such negative impacts, the Board has considered cash flow, impact on debt covenants and headroom against its current borrowing facilities. The Group's projections show that the Group will be able to operate within its existing banking facilities and covenants. Therefore, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of these Financial Statements and, as a result, they have applied the going concern principle in preparing its consolidated and Company Financial Statements.

Determination of Useful Economic Life of Acquired Brands

Acquired brands are considered to have an indefinite life due to management's opinion regarding the period over which they are expected to generate future profits.

5. Operating Segments

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board. The Board is responsible for allocating resources and assessing performance of operating segments.

The Directors consider that there are no identifiable business segments that are subject to risks and returns that are different to those of the core business. The information reported to the Directors, for the purposes of resource allocation and assessment of performance, is based wholly upon the overall activities of the Group. The Group has therefore determined that it has only one reportable segment under IFRS 8.

The results and assets for this segment can be determined by reference to the Income Statement and Statement of Financial Position.

6. Revenue

Geographical Split by Location:

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
United Kingdom	92,916	74,045
Germany	13,882	10,951
Rest of Europe	27,720	29,716
USA	688	403
Rest of the World	1,161	569
Total	136,367	115,684
International sales	43,451	41,639
Percentage of total revenue	31.9 %	36.0 %

Analysis of Revenue By Brand:

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Beldray	42,374	32,762
Salter	28,379	25,834
Russell Hobbs (licensed)	16,840	11,741
Progress	6,683	4,410
Intempo	6,514	5,049
Kleeneze	2,136	1,183
Premier brands	102,926	80,979
Other proprietorial brands	17,842	19,070
	120,768	100,049
Own label and other	15,599	15,635
Total	136,367	115,684

Analysis of Revenue by Major Products:

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Small domestic appliances	48,715	38,667
Housewares	35,898	28,210
Laundry	17,216	12,287
Audio	15,457	17,067
Heating and cooling	6,937	6,342
Luggage	2,053	4,052
Others	10,091	9,059
Total	136,367	115,684

Analysis of Revenue by Strategic Pillar:

	Year ended 31 July 2021 £'000	**Year ended 31 July 2020 £'000**
Discount retailers	51,527	44,685
Supermarkets	37,207	28,126
Online channels	20,590	16,719
	109,324	89,530
Multiple-store retailers	17,285	15,010
Other	9,758	11,144
Total	136,367	115,684

Included in revenue are sales of £40,970,000 (2020 – £30,136,000; 2019 – £42,882,000) to the Group's largest two customers.

7. Share-Based Payment Charges and Other Non-Underlying Items

	Year ended 31 July 2021 £'000	**Year ended 31 July 2020 £'000**
Share-based payment expense (note 27)	228	267
Coronavirus Job Retention Scheme repayment/(credit)	466	(466)
Acquisition of Salter Brands Limited	948	-
Total	1,642	(199)

The share-based payment expense relates to the non-cash charge arising on the Management Incentive Plan ('MIP'), the Save As You Earn ('SAYE') scheme and the Performance Share Plan ('PSP') as referred to in note 27.

During FY 20, the Group claimed £466,000 under the Government's Coronavirus Job Retention Scheme and the Group took the decision to repay this in September 2020.

Cost incurred relating to the acquisition of Salter Brands Limited substantially comprise legal and advisors fees. All costs noted arose wholly as a result of the transaction and will not recur.

The above items have been shown separately in the Income Statement to better reflect the performance of the underlying business.

8. Operating Expenses

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
The profit is stated after charging/(crediting) expenses as follows:		
Inventories recognised as an expense	92,045	78,219
Impairment of trade receivables	120	168
Impairment of inventories	320	750
Staff costs	13,284	11,748
Foreign exchange loss/(gain)	581	(418)
Operating lease costs on short-term and low-value leases	93	95
Loss on disposal of fixed asset	44	18
Depreciation of owned property, plant and equipment	791	705
Depreciation of right of use assets	772	712
Amortisation of intangible assets	16	12
Other cost of sales and operating expenses	18,275	14,560
Total	126,341	106,569

9. Auditor's Remuneration

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Fees payable to the Company's auditor for the audit of the parent and consolidated annual accounts	44	31
Fees payable to the Company's auditor and their associates for other services to the Group		
- The audit of the Financial Statements of the Company's subsidiaries	46	37
Total audit fees	90	68
- Audit-related assurance services	13	12
- Corporate finance services	74	-
Total non-audit fees	87	12

Corporate finance services relate to fees incurred in the acquisition of Salter Brands Limited in the year, are non-recurring and are included in the non-underlying costs referred to in note 7. £66,000 of the corporate finance fees relate to permitted services and, therefore, fall outside the 70 % permitted fee cap.

10. Employee Numbers and Costs

The average monthly number of people employed was:

	Year ended 31 July 2021 Number	Year ended 31 July 2020 Number
Average number of employees (including Directors):		
Sales staff	69	71
Distribution staff	56	45
Administrative staff	171	173
Total	296	289

The aggregate remuneration of all employees, including Directors, comprises:

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Wages and salaries	11,669	10,257
Social security costs	1,161	977
Other pension costs	226	247
Share-based payments	228	267
Total	13,284	11,748

11. Finance Costs

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Finance Costs		
Interest on bank loans and overdrafts	412	511
Interest on lease liabilities	82	87
Foreign exchange in respect of lease liabilities (net of hedging actions)	(10)	(25)
Other interest payable and similar charges	34	180
Total	518	753

12. Taxation

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Current tax		
Current period – UK corporation tax	1,591	1,361
Adjustments in respect of prior periods	(27)	(147)
Foreign current tax expense	641	509
Total current tax	2,205	1,723

Deferred tax		
Origination and reversal of temporary differences	43	26
Adjustments in respect of prior periods	(37)	6
Impact of change in tax rate	(16)	(8)
Total deferred tax	(10)	24
Total tax charge	2,195	1,747

Factors Affecting the Tax Charge

The tax assessed for the period is higher than (2020 – higher than) the standard rate of corporation tax in the UK. The differences are explained below.

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Profit before tax	9,508	8,362
Tax charge at 19.0 % (2020 – 19.0 %)	1,807	1,589
Adjustments relating to underlying items:		
Adjustment to tax charge in respect of prior periods	(9)	(141)
Effects of expenses not deductible for tax purposes	11	59
Impact of overseas tax rates	299	237
Effect of difference in corporation tax and deferred tax rates	2	(8)
Deferred tax not recognised	-	(40)
Adjustments relating to non-underlying items:		
Adjustment to tax charge in respect of prior periods	(55)	-
Effects of expenses not deductible for tax purposes	224	51
Differences arising on tax treatment of shares	(33)	-
Effect of difference in corporation tax and deferred tax rates	(51)	-
Total tax expense	2,195	1,747

Corporation tax is calculated at 19 % (2020 – 19 %) of the estimated assessable profit for the year. Previously enacted corporation tax rates were due to be reduced from 19 % to 17 % from April 2020. The 2020 Finance Act confirmed the rate of corporation tax will remain at 19 % from 1 April 2020, cancelling the enacted cut to 17 %. In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25 % from 1 April 2023. Deferred tax balances at the year end have been measured at 21.1 % and 24.5 % based on the timing of the expected reversal of the temporary differences. If deferred tax was measured at 25 % then a liability of £6,193,000 would have been recognised at the year end.

13. Earnings Per Share

Basic earnings per share is calculated by dividing the net income for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year, adjusted for the effects of potentially dilutive options. The dilutive effect is calculated on the full exercise of all potentially dilutive ordinary share options granted by the Group, including performance-based options which the Group considers to have been earned. At the year end, the MIP option scheme was non-dilutive as the Group's share price was below the exercise price.

The calculations of earnings per share are based upon the following:

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Profit for the year	7,313	6,615
	Number	**Number**
Weighted average number of shares in issue	82,521,850	82,169,600
Less shares held by the UPGS EBT	(4,056,659)	(3,637,542)
Weighted average number of shares – basic	78,465,191	78,532,058
Share options	2,039,490	1,361,617
Weighted average number of shares – diluted	80,504,681	79,893,675
	Pence	**Pence**
Earnings per share – basic	9.3	8.4
Earnings per share – diluted	9.1	8.3

14. Dividends

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Interim dividend paid in respect of the previous year	906	-
Final dividend paid in respect of the previous year	2,183	2,307
Interim declared and paid	1,320	-
	4,409	2,307

Per share	Pence	Pence
Interim dividend paid in respect of the previous year	1.16	-
Final dividend paid in respect of the previous year	2.795	2.93
Interim declared and paid	1.69	-
	5.645	2.93

An interim dividend of 1.16 p per share in respect of the year ended 31 July 2020 was approved by the Board on 4 September 2020 and was paid on 9 October 2020 to shareholders on record as at 18 September 2020.

A final dividend of 2.795 p per share in respect of the year ended 31 July 2020 was approved by the Board on 11 December 2020 and was paid on 29 January 2021 to shareholders on record as at 4 January 2021.

An interim dividend of 1.69 p per share in respect of the year ended 31 July 2021 was approved by the Board on 29 April 2021 and was paid on 30 July 2021 to shareholders on record at 18 June 2021.

The Directors propose a final dividend of 3.33 p per share in respect of the year ended 31 July 2021. The dividend is due to be paid on 28 January 2022 to shareholders on record as at 7 January 2022.

15. Goodwill and Intangible Assets

Goodwill

Cost	**Total £'000**
As at 1 August 2020	-
Business combinations (note 17)	9,676
As at 31 July 2021	9,676

Intangible Assets

Cost	**Trademarks £'000**	**Brands £'000**	**Total £'000**
As at 1 August 2019	111	-	111
Additions	-	-	-
As at 1 August 2020	111	-	111
Additions	111	-	111
Business combinations (note 17)	-	27,072	27,072
As at 31 July 2021	222	27,072	27,294
Accumulated Amortisation			
As at 1 August 2019	13	-	13
Charge for the year	12	-	12
As at 1 August 2020	25	-	25
Charge for the year	16	-	16
As at 31 July 2021	41	-	41
Carrying Amount:			
As at 31 July 2021	181	27,072	27,253
As at 31 July 2020	86	-	86
As at 31 July 2019	98	-	98

Intangible assets primarily relate to the Kleeneze and Petra trademarks, and the Salter Brand. No amortisation is charged on the Salter brand as it is considered to have an indefinite useful life due to its proven longevity and anticipated future profitability. The amortisation charge reflects the spreading of the cost of the Kleeneze and Petra trademarks over these assets' remaining expected useful lives of 6.8 years and 9.6 years respectively. The amortisation charge for the year has been included in administrative expenses in the Income Statement.

Impairment Testing

Goodwill and brands acquired through business combinations have been incorporated into the existing single segment of the Group as the acquired business from which they arise is the same as the Group's existing operating segment.

The recoverable amount of the Group's goodwill and brands has been determined by a value-in-use calculation using a discounted cash flow model, based on a three-year projection period approved by management and extrapolated for a further 25 years using a steady growth rate, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model:

- 10 % pre-tax discount rate;
- 2 % per annum projected revenue growth rate; and
- 2 % per annum increase in operating costs and overheads.

The discount rate of 10 % pre-tax reflects management's estimate of the time value of money and the Group's weighted average cost of capital, the risk-free rate and the volatility of the share price relative to market movements.

Management believes the projected 2 % revenue growth rate is prudent and justified based on market conditions and knowledge of the previous trading history of the business.

The results of the impairment testing indicate there is no impairment required.

The Directors do not believe that any reasonably possible changes in the value of the key assumptions noted above would cause the cash-generating unit carrying amount to exceed its recoverable amount.

16. Property, Plant and Equipment

Cost	Fixtures, Fittings and Equipment £'000	Motor Vehicles £'000	Right of use assets £'000	Total £'000
As at 1 August 2019	4,751	68	5,278	10,097
Additions	561	40	-	601
Disposals	(128)	(31)	(829)	(988)
Lease modifications	-	-	323	323
As at 31 July 2020	5,184	77	4,772	10,033
Additions	2,263	-	-	2,263
Disposals	(788)	(21)	(9)	(818)
As at 31 July 2021	6,659	56	4,763	11,478

Accumulated Depreciation and Impairment Losses				
As at 1 August 2019	2,815	54	2,235	5,104
Charge for the year	691	14	712	1,417
Disposals	(109)	(20)	(829)	(958)
Lease modifications	-	-	(595)	(595)
As at 31 July 2020	3,397	48	1,523	4,968
Charge for the year	778	13	772	1,563
Disposals	(742)	(21)	(9)	(772)
As at 31 July 2021	3,433	40	2,286	5,759
Carrying Amount:				
As at 31 July 2021	3,226	16	2,477	5,719
As at 31 July 2020	1,787	29	3,249	5,065
As at 31 July 2019	1,936	14	3,043	4,993

Included in property, plant and equipment are assets held outside of the UK with a carrying amount at 31 July 2021 of £218,000 (2020 – £228,000, 2019 - £282,000).

Right of use assets comprise property and fixtures, fittings and equipment with carrying values of £2,434,000 (2020 – £3,163,000, 2019 – £2,910,000) and £43,000 (2020 – £86,000, 2019 – £133,000) respectively. Depreciation of right of use assets comprises £729,000 (2020 – £665,000, 2019 - £676,000) in respect of property and £43,000 (2020 – £47,000, 2019 - £57,000) in respect of fixtures, fittings and equipment.

17. Acquisitions

The Group acquired 100 % of the share capital of Salter Brands Limited on 15 July 2021 from FKA Brands Limited. The Group also assumed the liability for the vendor loan notes of £32 m owed by Salter Brands Limited.

The total consideration transferred was £33.7 m in respect of the acquisition of the share capital and the acquisition of vendor loan notes.

Salter is the UK's oldest homewares brand dating back to 1760 and is the UK market leader for bathroom and kitchen scales. The brand's wider product portfolio includes kitchenware and diagnostic and healthcare devices. Salter serves customers through both traditional retail channels and e-commerce in the UK, with a growing international presence.

The Group has licensed the Salter brand since 2011 for the sale of kitchen electrical and cookware products, excluding scales. The Directors believe that the acquisition of the brand has substantially strengthened the Group's brand portfolio and has given the Group the opportunity to further develop the Salter brand, product portfolio and international sales.

The fair value of the consideration transferred was made up as follows:

	£'000
Cost of the business combination	1,660
Consideration in respect of vendor loan notes	32,000
Total consideration	33,660

The cash flows in respect of the consideration can be broken down as follows:

	£'000
Initial cash consideration (paid on completion)	30,578
Adjustment to initial consideration (paid post year end)	1,109
Deferred consideration at fair value	1,973
Total consideration	33,660

The deferred consideration is payable in 6 monthly instalments for 24 months following the acquisition.

The acquisition was funded by the combination of a £10,000,000 term loan facility with the Group's bankers, HSBC (see note 23 below), £15,000,000 from the issue of 7,142,857 ordinary shares of 0.25 p each at a price of £2.10 per share (which after costs amounted to £14,350,000, see note 26 below) with the balance funded by capacity within the Group's existing banking facilities.

The book values and fair values of the net assets acquired are made up as follows. This table includes the fair values of the vendor loan notes and inventories acquired.

	Book Value £'000	Adjustments £'000	Fair Value £'000
Tangible fixed assets	7	(7)	-
Intangible assets	-	27,072	27,072
Inventories	5,323	(40)	5,283
Prepayments	65	(3)	62
Vendor loan notes	(32,000)	-	(32,000)
Amounts owed by FKA Brands Ltd	204	-	204
All other creditors	(1,853)	-	(1,853)
Provisions	(104)	-	(104)
Tax liabilities	(19)	-	(19)
Accruals	(28)	-	(28)
Deferred tax liabilities	-	(6,633)	(6,633)
Total identifiable net liabilities	(28,405)	20,389	(8,016)

Intangible assets of £27.1 m and a corresponding deferred tax liability of £6.6 m have been recognised in respect of the Salter brand which has been deemed to have an indefinite useful life.

The Group has recognised residual goodwill of £9.7 m. The Directors believe that the goodwill represents the value of Salter's customer relationships which do not meet the criteria for recognition as intangible assets, the expected synergies from acquiring the brand and combining the operations of Salter with those of the wider Group. The initial measurement of goodwill is set out below:

	£'000
Cost of the business combination	1,660
Add: fair value of net liabilities acquired	8,016
Goodwill	9,676

£105,000 of revenue and £1,000 profit before tax are included in the consolidated statement of comprehensive income for the year ended 31 July 2021 in respect of Salter Brands Limited.

Subsequent to the acquisition, the trade and assets of Salter Brands Limited were hived across into UP Global Sourcing UK Limited at book value. The relevant book value was deemed to be the fair value measured at the acquisition of Salter Brands Limited by the Company, adjusted for transactions in the period between the acquisition and the hive-across.

18. Deferred Tax

The deferred tax (liability)/asset consists of the following timing differences:

	31 July 2021 £'000	31 July 2020 £'000
Excess of depreciation over taxable allowances	(146)	(4)
Other temporary differences	632	110
Deferred tax arising on acquisition of subsidiary	(6,633)	-
	(6,147)	106

Movement in Deferred Tax in the Year

	31 July 2021 £'000	31 July 2020 £'000
Balance brought forward	106	130
Movement arising in the year	380	(24)
Deferred tax arising on acquisition of subsidiary	(6,633)	-
Balance carried forward	(6,147)	106

The Directors consider that the deferred tax assets in respect of timing differences are recoverable based upon the forecast future taxable profits of the Group.

The Group has also unrecognised deferred tax assets of £630,000 (2020 – £484,000) in respect of losses carried forward that are not anticipated to be utilised under current conditions.

19. Inventories

	31 July 2021 £'000	31 July 2020 £'000
Goods for resale	21,674	16,022
	21,674	16,022

Inventories at 31 July 2021 are stated after provisions for impairment of £595,000 (2020 – £349,000).

Inventories are pledged as security for liabilities, as referred to in note 23.

20. Trade and Other Receivables

	31 July 2021 £'000	31 July 2020 £'000
Trade receivables	25,372	17,979
Other receivables and prepayments	1,172	516
	26,544	18,495

The Directors believe that the carrying value of trade and other receivables represents their fair value. Trade and other receivables are denominated in Sterling, US Dollars, Euros, Canadian Dollars and Polish Zloty.

These balances are subject to an assessment of expected credit losses (see note 25).

The Group maintains a high level of credit insurance on its trade receivables, averaging in excess of 98 % insured over FY 21 with the uninsured accounts closely monitored. Provisions are made on an item-by-item basis taking into account the level of insurance held. Trade and other receivables at 31 July 2021 are stated after provisions for impairment of £178,000 (2020 – £180,000).

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the reporting date but against which the Group has not recognised an expected credit loss because there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables at 31 July 2021 is 57 days (2020 – 49 days).

Ageing of Past Due But Not Impaired Receivables

	31 July 2021 £'000	31 July 2020 £'000
Less than 1 month	2,648	1,328
1–2 months	654	241
2–3 months	171	70
Over 3 months	252	281
	3,725	1,920

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date, taking into account the extent of credit insurance held on the receivable.

The largest trade receivables balance with an individual customer represents 25 % of the total at 31 July 2021. The concentration of credit risk in relation to this is mitigated by credit insurance.

Details of the Group's credit risk management policies are shown in note 25. The Group does not hold any collateral as security for its trade and other receivables.

The Group holds invoice discounting facilities, which are secured against the Group's trade receivables. Further information can be found in note 23.

21. Cash and Cash Equivalents

	31 July 2021 £'000	31 July 2020 £'000
Cash at bank	133	329

22. Trade and Other Payables

	31 July 2021 £'000	31 July 2020 £'000
Trade payables	19,293	10,768
Accruals	8,628	6,304
Other taxes and social security	1,530	542
	29,451	17,614

Trade payables principally consist of amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing and are typically settled on 30 to 60 day terms.

The Directors consider that the carrying value of trade and other payables approximates their fair value. Trade and other payables are denominated in Sterling, US Dollars and Euros. UP Global Sourcing Holdings plc has financial risk management policies in place to ensure that all payables are paid within the credit time frame and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

23. Borrowings

	31 July 2021 £'000	31 July 2020 £'000
Current		
Invoice discounting	3,290	-
Import loans	2,759	3,903
Term loan	2,000	-
	8,049	3,903
Less: unamortised debt issue costs	(98)	-
	7,951	3,903

	31 July 2021 £'000	31 July 2020 £'000
Non-current		
Revolving credit facility	2,983	225
Term loan	8,000	-
	10,983	225
Less: unamortised debt issue costs	(136)	(136)
	10,847	89
Total borrowings	18,798	3,992
The earliest that the lenders of the above borrowings require repayment is as follows:		
In less than one year	8,049	3,903
Between one and two years	2,000	-
Between three and four years	8,983	225
Less: unamortised debt issue costs	(234)	(136)
	18,798	3,992

Having refinanced its banking facilities on 1 October 2019, at 31 July 2021 the Group was funded by external banking facilities provided by HSBC under a five-year agreement which runs until October 2024. As referred to in note 17 above, to provide funding to support the acquisition of Salter Brands Limited, on 24 June 2021 the Group added to its existing banking facilities and entered into a £10,000,000 term loan facility with HSBC. The term loan facility extends to October 2024, as per the existing facilities, with quarterly repayments of £500,000.

In addition to the new term loan facility referred to above, at 31 July 2021, the other banking facilities comprised a revolving credit facility of £8.2 m, an import loan facility of £8.7 m and an invoice discounting facility with a limit of £23.5 m. The import loan facility is ancillary to the revolving credit facility, repayable on demand and subject to annual review

On 7 May 2020, as a protective measure against the uncertainty arising from the COVID-19 pandemic, the Group agreed an increase to the revolving credit facility with HSBC until 31 January 2021. The amount of the increase in the facility was initially for £4.0 m, reducing to £3.0 m on 31 July 2020 and to £2.0 m at 31 October 2020, until it terminated on 31 January 2021. The Group did not draw on this increase in facilities.

Current bank borrowings include a gross amount of £3,290,000 at 31 July 2021 (2020 – £Nil) due under invoice discounting facilities, which are secured by an assignment of and fixed charge over the trade debtors of UP Global Sourcing UK Limited. Furthermore, current bank borrowings include an amount of £2,759,000 at 31 July 2021, (2020 – £3,903,000) due under an import loan facility, which is secured by a general letter of pledge providing security over the stock purchases financed under that facility. Bank borrowings are secured in total by a fixed and floating charge over the assets of the Group.

At 31 July 2021 total bank borrowings are net of £234,000 (2020 – £136,000) of fees which are being amortised over the length of the relevant facilities.

Interest on bank borrowings is payable at a margin ranging between 1.65 % and 2.25 % above the relevant bank reference rates.

As the liabilities are at a floating rate and there has been no change in the creditworthiness of either of the counterparties, the Directors are of the view that the carrying amount approximates to the fair value.

Reconciliation of Liabilities Arising from Financing Activities

	At 1 August 2019 £'000	**Cash flows £'000**	**Non-cash changes £'000**	**At 31 July 2020 £'000**
Invoice discounting	6,509	(6,509)	-	-
Import loans	6,339	(2,436)	-	3,903
Revolving credit facility	1,719	(1,494)	-	225
Less: unamortised debt issue costs	-	(240)	104	(136)
Total	14,567	(10,679)	104	3,992

	At 1 August 2020 £'000	Cash flows £'000	Non-cash changes £'000	At 31 July 2021 £'000
Invoice discounting	-	3,290	-	3,290
Import loans	3,903	(1,144)	-	2,759
Revolving credit facility	225	2,758	-	2,983
Term loan	-	10,000	-	10,000
Less: unamortised debt issue costs	(136)	(245)	147	(234)
Total	3,992	14,659	147	18,798

24. Lease Liabilities

The Group's lease portfolio comprises its principal properties (Manor Mill, Heron Mill, Cologne and Guangzhou) along with certain other fixtures, fittings and equipment.

All leases consist of fixed future payment amounts. With the exception of the Manor Mill and Cologne leases which incorporate break options to provide operational flexibility, all leases have fixed terms. Management consider the likelihood of exercising such break options when determining the lease term (see note 4, Accounting Judgements). Accordingly, the lease term for Manor Mill was determined to be the full length of the lease, excluding the break option, whereas it was assumed that the break option contained within the Cologne lease would be exercised in April 2023. Consequently, the Group could potentially be exposed to additional future cash flows not reflected in the measurement of the liability below.

The Cologne and Guangzhou leases are denominated in Euros and Renminbis respectively, exposing the Group to foreign exchange risk. Euro lease outflows are met by future Euro cash inflows generated by the business, whilst forward currency contracts are taken out to hedge the Renminbi lease outflows.

Discounted Lease Liabilities

	31 July 2021 £'000	31 July 2020 £'000
Lease liabilities less than one year	771	710
Lease liabilities greater than one year	2,030	2,804
	2,801	3,514

Maturity Analysis – Contractual Undiscounted Lease Payments

	31 July 2021 £'000	31 July 2020 £'000
Within one year	834	791
Greater than one year but less than two years	804	837
Greater than two years but less than five years	635	1,260
Greater than five years but less than ten years	750	930
	3,023	3,818

Movement In Leases in the Year

	31 July 2021 £'000	31 July 2020 £'000
Balance brought forward	3,514	3,452
New leases and lease modifications (note 16)	-	918
Repayments	(794)	(854)
Interest on lease liabilities	82	87
Foreign exchange revaluation	(1)	(89)
Balance carried forward	2,801	3,514

Right of Use Assets

An analysis of the carrying value and depreciation of right of use assets by underlying class of asset is provided in note 16.

Details of interest on lease liabilities and foreign exchange in respect of lease liabilities (net of hedging actions) are shown in note 11.

Short-Term and Low-Value Leases

The Group has elected to recognise payments for short-term leases and leases of low-value assets on a straight-line basis as an expense in the income statement and these are disclosed in note 8.

Commitments in respect of short-term and low-value leases are shown in note 31.

25. Financial Instruments

Principal Financial Instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

	31 July 2021 £'000	31 July 2020 £'000
Trade receivables	25,372	17,979
Derivative financial instruments – assets subject to hedge accounting	47	-
Derivative financial instruments – assets not subject to hedge accounting	337	53
Trade and other payables	(27,921)	17,072
Derivative financial instruments – liabilities subject to hedge accounting	(220)	(957)
Derivative financial instruments – liabilities not subject to hedge accounting	-	(385)
Borrowings	(18,798)	(3,992)
Lease liabilities	(2,801)	(3,514)
Deferred consideration	(1,973)	-
Cash and cash equivalents	133	329

Derivative financial instruments subject to hedge accounting are cash flow hedges.

Financial Assets

The Group held the following financial assets at amortised cost:

	31 July 2021 £'000	**31 July 2020 £'000**
Cash and cash equivalents	133	329
Trade receivables	25,372	17,979
	25,505	18,308

Impairment of Financial Assets

The Group's financial assets subject to the expected credit loss model ('ECL') are trade receivables. The Group maintains a high level of credit insurance on its trade receivables (FY 21 average being over 98 %) and has a history of a low level of losses thereon. Under the credit insurance policy, insured limits are applied for on a customer account level and each customer receivable balance is compared against the limit received. Where the customer balance exceeds or is forecast to exceed the insured limit, the Group's process for monitoring uninsured accounts is applied. Therefore, in measuring ECL the Group has taken account of its low historic loss experience together with its high level of credit insurance and reviewed the receivables on an item-by-item basis.

	31 July 2021			**31 July 2020**		
	Up to 1 month past due £'000	**Over 1 month past due £'000**	**Total £'000**	**Up to 1 month past due £'000**	**Over 1 month past due £'000**	**Total £'000**
Gross carrying amount - Trade receivables (insured)	24,068	1,250	25,318	16,786	765	17,551
Expected credit loss	-	(175)	(175)	-	(174)	(174)
Net carrying amount	24,068	1,075	25,143	16,786	591	17,377
Gross carrying amount - Trade receivables (uninsured)	227	5	232	602	6	608
Expected credit loss	-	(3)	(3)	-	(6)	(6)
Net carrying amount	227	2	229	602	-	602
Gross carrying amount - Trade receivables (total)	24,295	1,255	25,550	17,388	771	18,159
Expected credit loss	-	(178)	(178)	-	(180)	(180)
Net carrying amount	24,295	1,077	25,372	17,388	591	17,979

The credit risk of Group undertakings is estimated based on the expected recoverable amount, taking into account the creditworthiness of the other party at the year end and any changes in credit risk during the year.

Financial Liabilities

The Group held the following financial liabilities, classified as other financial liabilities at amortised cost:

	31 July 2021	31 July 2020
	£'000	£'000
Trade payables	19,293	10,768
Borrowings	18,798	3,992
Other payables	8,628	6,304
Lease liabilities	2,801	3,514
Deferred consideration	1,973	-
	51,493	24,578

Derivative Financial Instruments

The Group held the following derivative financial instruments as financial assets/(liabilities), classified as fair value through profit and loss on initial recognition:

	31 July 2021	31 July 2020
	£'000	£'000
Derivative financial instruments – assets	384	53
Derivative financial instruments – liabilities	(220)	(1,342)
	164	(1,289)

The above items comprise the following under the Group's hedging arrangements:

	31 July 2021	31 July 2020
	£'000	£'000
Forward currency contracts	97	(1,335)
Interest rate swaps	47	(7)
Interest rate caps	20	53
	164	(1,289)

Derivative Financial Instruments – Forward Contracts

The Group mitigates the exchange rate risk for certain foreign currency trade debtors and creditors by entering into forward currency contracts. At 31 July 2021, the Group was committed to buy US$54,875,000 (2020 – US$32,100,000), to sell €23,575,000 (2020 – €23,025,000), to sell PLN2,800,000 (2020 PLN Nil), to sell CA$140,000 (2020 – CA$nil) and to buy CNY 4,399,850 (2020 – CNY 6,230,606), paying and receiving respectively fixed Sterling amounts. At 31 July 2021, all the outstanding USD, EUR, PLN and CAD contracts mature within 12 months of the period end (2020 – 12 months). The CNY contracts, which are held to hedge a lease commitment, mature over the length of that lease ending in August 2023. The forward currency contracts are measured at fair value using the relevant exchange rates for GBP:USD, GBP:EUR, GBP:CAD, GBP:PLN and GBP:CNY. The fair value of the contracts at 31 July 2021 is an asset of £97,000 (2020 – £1,335,000 liability).

Forward currency contracts are valued using level 2 inputs. The valuations are calculated using the period end forward rates for the relevant currencies, which are observable quoted values at the period end dates. Valuations are determined using the hypothetical derivative method, which values the contracts based upon the changes in the future cash flows, based upon the change in value of the underlying derivative.

All of the forward contracts to buy US Dollars and some of those to sell Euros meet the conditions for hedge accounting, as set out in the accounting policies in note 3.

The fair value of forward contracts that are effective in offsetting the exchange rate risk is a liability of £220,000 (2020 – £950,000), which has been recognised in other comprehensive income. This will be released to profit or loss at the end of the term of the forward contracts as they expire, being £220,000 within 12 months (2020 – £950,000 within 12 months). The cash flows in respect of the forward contracts will occur over the course of the next 12 months.

Derivative Financial Instruments – interest Rate Swaps and Interest Rate Caps

The Group has entered into interest rate swaps and interest rate caps to protect the exposure to interest rate movements on the various elements of the Group's banking facility. As at 31 July 2021, protection was in place over an aggregate principal of £15,600,000 (2020 – £15,600,000). At 31 July 2021, the Group had borrowings of £3,432,000 (2021 – £nil) not subject to interest rate protection.

All interest rate swaps meet the conditions for hedge accounting, as set out in the accounting policies in note 3.

Interest rate swaps and caps are valued using level 2 inputs. The valuations are based upon the notional value of the swaps and caps, the current available market borrowing rate and the swapped or capped interest rate respectively. The valuations are based upon the current valuation of the present saving or cost of the future cash flow differences, based upon the difference between the respective swapped and capped interest rates contracts and the expected interest rate as per the lending agreement.

The fair value of variable to fixed interest rate swaps that are effective in offsetting the variable interest rate risk on variable rate debt is an asset of £47,000 (2020 – £7,000 liability), which has been recognised in other comprehensive income and will be released to profit or loss over the term of the swap agreements. The agreements expire between 31 December 2021 and 28 February 2025. The cash flows in respect of the swaps occur monthly over the effective lifetime of the swaps.

The fair value of the interest rate caps was an asset of £20,000 (2020 – £53,000).

The following is a reconciliation of the financial instruments to the Statement of Financial Position:

	31 July 2021 £'000	**31 July 2020 £'000**
Trade receivables	25,372	17,979
Prepayments and other receivables not classified as financial instruments	1,172	516
Trade and other receivables (note 20)	26,544	18,495

	31 July 2021 £'000	**31 July 2020 £'000**
Trade and other payables	27,921	17,072
Other taxes and social security not classified as financial instruments	1,530	542
Trade and other payables (note 22)	29,451	17,614

The Group’s activities expose it to certain financial risks: market risk, credit risk and liquidity risk. The overall risk management programme focuses upon the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. Risk management is carried out by the Directors, who identify and evaluate financial risks in close cooperation with key members of staff.

a) ***Market Risk***

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

b) ***Credit Risk***

Credit risk is the financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligation. Credit risk arises from the Group’s cash and cash equivalents and receivables balances. Accordingly, the possibility of material loss arising in the event of non-performance by counterparties is considered to be unlikely. Cash at bank is held with banks with high-quality external credit rating.

c) ***Liquidity Risk***

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group’s prudent liquidity risk management and implies maintaining sufficient cash. The Directors monitor rolling forecasts of the Group’s liquidity and cash and cash equivalents based upon expected cash flow.

Market Risk

The Group's interest-bearing liabilities relate to its variable rate banking facilities. The Group has a policy of maintaining a portion of its banking facilities under the protection of interest rate swaps and caps to ensure the certainty of future interest cash flows and offering protection against market-driven interest rate movements.

The Group’s market risk relating to foreign currency exchange rates is commented on below.

Credit Risk

The Group's sales are primarily made with credit terms, exposing the Group to the risk of non-payment by customers. The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed regularly by the Board. In addition, the Group maintains a suitable level of credit insurance against its debtor book. Over the course of FY 21, on average, over 98 % of its trade receivables were insured, subject to the policy deductible of 10 %. Sales to uninsured accounts are monitored closely with weekly forecasts prepared and reviewed with appropriate actions to manage the exposure to credit risk.

Liquidity Risk Management

The Group is funded by external banking facilities provided by HSBC. Within these facilities, the Group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the Group has sufficient available funds for operations and planned expansions. Cash flow requirements are monitored by short and long-term forecasts, with headroom against facility limits and banking covenants assessed regularly.

Foreign Currency Risk Management

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates. The Group's exposure to foreign currency risk is partially hedged by virtue of invoicing a proportion of its turnover in US Dollars and Euros. When necessary, the Group uses foreign exchange forward contracts to further mitigate this exposure.

The following is a note of the financial instruments denominated at each period end in US Dollars:

	31 July 2021	31 July 2020
	$'000	$'000
Trade receivables	15,679	7,343
Other receivables	729	87
Net cash, overdrafts and revolving facilities	34	1,124
Import loans	(3,836)	(4,126)
Invoice discounting	(910)	258
Trade payables	(19,984)	(10,940)
	(8,288)	(6,254)

The effect of a 20 % strengthening of Sterling at 31 July 2021 on the foreign denominated financial instruments carried at that date would, all variables held constant, have resulted in an increase to total comprehensive income for the period and an increase to net assets of £805,000 (2020 – £644,000). A 20 % weakening of the exchange rate, on the same basis, would have resulted in a decrease to total comprehensive income and a decrease to net assets of £1,207,000 (2020 – £965,000).

The following is a note of the financial instruments denominated at each period end in Euros:

	31 July 2021	31 July 2020
	€'000	€'000
Trade receivables	7,948	8,680
Net cash, overdrafts and revolving facilities	(24)	(685)
Import loans	-	(259)
Invoice discounting	(3,091)	(41)
Trade payables	(235)	(412)
Lease liabilities	(283)	(414)
	4,315	6,869

The effect of a 20 % strengthening of Sterling at 31 July 2021 on the foreign denominated financial instruments carried at that date would, all variables held constant, have resulted in a decrease to total comprehensive income for the period and a decrease to net assets of £497,000 (2020 – £837,000). A 20 % weakening of the exchange rate, on the same basis, would have resulted in an increase to total comprehensive income and an increase to net assets of £746,000 (2020 – £1,255,000).

The Directors have shown a sensitivity movement of 20 % as, due to the current uncertainty given the current economic climate, this is deemed to be the largest potential movement in currency that could occur in the near future.

Financial instruments denominated in Canadian Dollars and Polish Zloty are not significant and therefore do not pose a significant foreign exchange exposure.

Capital Risk Management

The Group is funded by equity and loans. The components of shareholders' equity are:

a) the share capital and share premium account arising on the issue of shares;

b) the Employee Benefit Trust reserve arising on the purchase of shares in the Group by the UPGS EBT;

c) the hedging reserve reflecting gains and losses on derivative instruments that have been designated as a hedge, for hedge accounting purposes;

d) the share-based payment reserve reflecting the cumulative charges recognised in relation to share-based payment transactions; and

e) the retained earnings reflecting comprehensive income to date.

The Group's objective when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long-term. The capital structure of the Group is managed and adjusted to reflect changes in economic conditions. The Group funds its expenditure on commitments from existing cash and cash equivalent balances, primarily received from existing bank facilities and profits generated. There are no externally imposed capital requirements. Financing decisions are made based upon forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans.

Fair Value Estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate to their fair values because of the short-term nature of such assets and the effect of discounting liabilities is negligible.

The Group is exposed to the risks that arise from its financial instruments. The policies for managing those risks and the methods to measure them are described earlier in this note.

Maturity of Financial Assets and Liabilities

All of the Group's non-derivative financial liabilities and its financial assets at the reporting date are either payable or receivable within one year, except for borrowings as disclosed in note 23.

26. Share Capital

Number of shares in Issue

	31 July 2021	
Issued and fully paid:	**Number**	**£'000**
Ordinary shares of 0.25 p	89,312,457	223
Total shares	89,312,457	223

	31 July 2020	
Issued and fully paid:	**Number**	**£'000**
Ordinary shares of 0.25 p	82,169,600	205
Total shares	82,169,600	205

Movements in Share Capital

	Shares	Nominal value	£'000
As at 1 August 2020	82,169,600	£0.0025	205
Share issue	7,142,857	£0.0025	18
As at 31 July 2021	89, 312,457	£0.0025	223

On 14 July 2021, the Company issued 7,142,857 ordinary £0.0025 shares for net consideration of £14,350,000. Costs incurred as a result of the issue were £650,000 which were deducted from equity.

Rights of Share Capital

Ordinary shares carry rights to dividends and other distributions from the Company, as well as carrying voting rights.

27. Share-Based Payments

The Group had share option schemes in place during the years ended 31 July 2021 and 31 July 2020 as follows:

1. MIP Option Scheme – 2017

On 28 February 2017, immediately preceding the Company's listing on the main market of the London Stock Exchange, a Management Incentive Plan was adopted. The plan is structured as an award of A ordinary shares in UP Global Sourcing UK Limited ('Subsidiary Shares'). The rights attaching to the Subsidiary Shares include a put option with a three-year vesting period that can be exercised up to 7 years following the vesting date.

Exercise of the put option is subject to the share price of UP Global Sourcing Holdings plc exceeding a hurdle set at a 30 % premium to the IPO price. At the point of exercise, the recipient will receive the value of the Subsidiary Shares in either cash or shares in UP Global Sourcing Holdings plc ('Plc Shares'), at the discretion of UP Global Sourcing Holdings plc, subject to a cap of 6.25 % of the issued share capital of UP Global Sourcing Holdings plc as at the date of the IPO. The shares therefore have an exercise price of £nil for the recipient.

The number and weighted average exercise price of the options in issue based on the conditions present at each year end were as follows:

	Number of shares under option 2021	Weighted average exercise price 2021	Number of shares under option 2020	Weighted average exercise price 2020
Outstanding at the end of the year	2,543,773	-	-	-

At 31 July 2021, the average 90 day share price was £2.1197 resulting in 2,543,773 shares being under option. At 31 July 2020 the share price had not met the hurdle price referred to above and, as a result, no shares were under option.

The options were valued using the Monte Carlo option pricing model. This model was deemed the most appropriate as it is capable of capturing market-based performance conditions and simulating a number of possible outcomes, allowing the value of each outcome to be assessed.

The total expense recognised for the year ended 31 July 2021 relating to the MIP share-based payments was £nil (2020 – £111,000). The MIP options vested in 2020 and are unexercised as at 31 July 2021.

2. Save As You Earn ('SAYE') Option Schemes

SAYE 2019

On 13 February 2019, a SAYE scheme was introduced to the Group with all employees being able to participate in the scheme. This is a savings-related scheme, where the employer deducts a fixed monthly amount from employees' salaries and after a period of 3 years (chosen by the majority of employees) or 5 years (chosen by a smaller number of employees), the employee can then purchase shares in UP Global Sourcing Holdings plc for a fixed exercise price. Employees can contribute anything from £10 to £250 per month to the scheme.

Upon the introduction of the scheme, options over 1,268,914 shares were granted to 95 employees.

SAYE 2019	Number of shares under option 2021	Weighted average exercise price 2021	Number of shares under option 2020	Weighted average exercise price 2020
Outstanding at beginning of the year	1,147,254	£0.395	1,268,914	£0.395
Exercised during the year	(5,569)	£0.395	-	-
Granted during the year	-	-	-	-
Lapsed during the year	(92,885)	£0.395	(121,660)	£0.395
Outstanding at the end of the year	1,048,000	£0.395	1,147,254	£0.395

The weighted average contract length on the options in the SAYE scheme was 0.7 years (2020 – 1.7 years).

SAYE 2020

On 2 December 2020, employees were invited to subscribe for further options over ordinary shares and 74 employees subscribed for 531,595 options.

The options issued in 2020 have vesting periods of 3 and 5 years. Key estimates included in the share-based payment charge for the 2020 issue include an employee retention rate of 70 %, a dividend yield rate of 4 % and a volatility of 76.61 %.

SAYE 2020	Number of shares under option 2021	Weighted average exercise price 2021	Number of shares under option 2020	Weighted average exercise price 2020
Outstanding at beginning of the year	-	-	-	-
Exercised during the year	-	-	-	-
Granted during the year	531,595	£0.739	-	-
Lapsed during the year	(4,383)	£0.739	-	-
Outstanding at the end of the year	527,212	£0.739	-	-

The weighted average contract length on the options in the SAYE scheme was 2.5 years (2020 – n/a).

Valuation

The options were valued using the Black Scholes option pricing model and the total expense recognised for the year ended 31 July 2021, relating to SAYE 2019 and SAYE 2020 share-based payments, was £56,000 (2020 – £56,000) and £38,000 (2020 - £nil) respectively. The inputs to the Black Scholes model were as follows:

SAYE options at 31 July 2021	Issued in FY 21
Share price at date of grant	£1.00075
Fair value at the year end – 3 years	£0.4803
Fair value at the year end – 5 years	£0.5166
Exercise price	£0.739
Time to expiry (years)	3 and 5
Risk-free rate (%) – 3 years	0.266
Risk-free rate (%) – 5 years	0.226
Volatility (%)	76.61
Dividend yield (%)	4
Employee retention rate (%)	70

Volatility is measured using a weekly share price for the 52 weeks prior to the date of grant.

The risk-free rate is derived using a 3 and 5 year gilt rate.

3. Performance Share Plan (‘PSP’) Option Schemes

PSP 2019

On 11 March 2019, options were issued to certain members of management with performance conditions attached. The PSP allows for awards to be granted in various forms, and these options took the form of both tax-advantaged CSOP options and unapproved share options. This maximises tax efficiency for the Company and employees whilst delivering, in effect, a nil cost option in line with the intention of the Remuneration Committee and standard market practice.

- A CSOP option was granted to all employees that were eligible, i.e. those other than the employees based overseas (‘the CSOP options’).

- As CSOP shares can only be issued up to a maximum market value at the date of grant of £30,000, and in some cases a larger benefit was required, a top-up nil cost unapproved option was granted to certain employees.
- The intention of the Remuneration Committee was to grant awards with a nil exercise cost to the employee, however, under the CSOP scheme, the legislative requirements mean that these options must have an exercise price equal to the market value of a share at the date of grant. The Remuneration Committee therefore decided to issue additional options in a parallel scheme, which are classed as unapproved options. The aim of this scheme is to compensate employees for the exercise price of £0.5917 multiplied by the number of shares obtained by exercising the CSOP options. The number of shares to be exercised in this scheme will depend on the number of shares options that are exercised in the CSOP scheme and the market price of the shares at the date of exercise.

The calculation of the share-based payment charge for the above has treated each part of the scheme separately. The CSOP and top-up options have been calculated using the Black Scholes model using the assumptions listed below.

Due to the nature of the parallel options, they have been valued at the expected value that they are expected to give to the employee, which is the exercise price of £0.5917 multiplied by the number of options that are expected to be exercised.

PSP 2019	**Number of shares under option 2021**	**Weighted average exercise price 2021**	**Number of shares under option 2020**	**Weighted average exercise price 2020**
Outstanding at beginning of the year	1,120,000	-	1,120,000	-
Exercised during the year	-	-	-	-
Granted during the year	-	-	-	-
Lapsed during the year	(20,000)	-		
Outstanding at the end of the year	1,100,000	-	1,120,000	-

The weighted average contract length on the options in the PSP 2019 scheme was 1.9 years (2020 – 2.9).

The options were valued using the Black Scholes option pricing model and the total expense recognised for the year ended 31 July 2021, relating to the PSP 2019 share-based payments, was £57,000 (2020 – £100,000).

PSP 2020

On 14 December 2020, options over a further 655,000 ordinary shares were granted to members of management.

The options have vesting periods of 3, 4, 5 and 6 years and have various performance conditions. Key estimates included in the share-based payment charge include an employee retention rate of 83 % for some employees and 80 % for others, a dividend yield rate of 4.0 %, and volatility of 76.61 %.

The number of shares expected to vest under the scheme is dependent on a number of non-market-based performance conditions. At each reporting date, an assessment is made as to whether it is likely that the performance conditions will be met.

PSP 2020	**Number of shares under option 2021**	**Weighted average exercise price 2021**	**Number of shares under option 2020**	**Weighted average exercise price 2020**
Outstanding at beginning of the year	-	-	-	-
Exercised during the year	-	-	-	-
Granted during the year	655,000	-	-	-
Lapsed during the year	(15,000)	-		
Outstanding at the end of the year	640,000	-	-	-

The weighted average contract length on the options in the PSP 2020 scheme was 3.5 years (2020 – n/a).

The options were valued using the Black Scholes option pricing model and the total expense recognised for the year ended 31 July 2021, relating to the PSP 2020 share-based payments, was £77,000 (2020 – £n/a). The inputs to the Black Scholes model were as follows:

CSOP options at 31 July 2021	
Share price at date of grant	£1.1425
Fair value at the year end – 3 years	£0.3321
Fair value at the year end – 4 years	£0.3321
Fair value at the year end – 5 years	£0.3287
Exercise price	£0.9887
Time to expiry (years)	3, 4, 5 and 6 years
Risk-free rate (%) – 3 years	0.958
Risk-free rate (%) – 4 years	0.882
Risk-free rate (%) – 5 years	0.638
Risk-free rate (%) – 6 years	0.358
Volatility (%)	76.6
Dividend yield (%)	4
Employee retention rate (%)	83 % for employees in tiers 1 and 2, 80 % for other employees

Top-up options at 31 July 2021	
Share price at date of grant	£1.1425
Fair value at the year end – 3 years	£0.3321
Fair value at the year end – 4 years	£0.3321
Fair value at the year end – 5 years	£0.3287
Exercise price	Nil
Time to expiry (years)	3, 4, 5 and 6 years
Risk-free rate (%) – 3 years	0.958
Risk-free rate (%) – 4 years	0.882
Risk-free rate (%) – 5 years	0.638
Risk-free rate (%) – 6 years	0.358
Volatility (%)	76.6
Dividend yield (%)	4
Employee retention rate (%)	83 % for employees in tiers 1 and 2, 80 % for other employees

Parallel options at 31 July 2021	
Share price at date of grant	£1.1425
Fair value	£0.6140

Exercise price	Nil
Time to expiry (years)	3, 4, 5 and 6 years
Risk-free rate (%)	N/A
Volatility (%)	N/A
Dividend yield (%)	N/A
Employee retention rate (%)	83 % for employees in tiers 1 and 2, 80 % for other employees

For the CSOP options and the top-up options, volatility is measured using a weekly share price for the 52 weeks prior to the date of grant.

The risk-free rate is derived using a 3, 4, 5 and 6 year gilt rate.

28. Reserves

Share Premium

Consideration received for shares issued above their nominal value net of transaction costs.

Employee Benefit Trust Reserve

The cost of shares repurchased and still held at the end of the reporting period by the UPGS EBT.

Share-Based Payment Reserve

The cumulative share-based payment expense.

Hedging Reserve

Gains and losses arising on forward currency contracts and on fixed to floating interest rate swaps that have been designated as hedges for hedge accounting purposes.

Retained Earnings

Cumulative profit and loss net of distributions to owners.

29. Ultimate Controlling Party

In the opinion of the Directors, there is no single controlling party.

30. Related Party Transactions

Remuneration of Key Personnel

Remuneration of key management personnel, considered to be the Directors and other senior management of the Group is as follows:

	Year ended 31 July 2021 £'000	**Year ended 31 July 2020 £'000**
Short-term remuneration	2,514	1,997
Other pension costs	36	51
Share-based payments	105	166
	2,655	2,214

Transactions and Balances with Key Personnel

No balances were outstanding at the end of either period and the maximum balance outstanding during these periods was £1,250. Additionally, Directors purchased goods from the Group during the year to 31 July 2021 and the total for all Directors amounted to £1,445 (2020 – £476). Consultancy fees paid to Directors were £2,500 (2020 - £Nil).

Transactions and Balances with Related Companies and Businesses

	Year ended 31 July 2021 £'000	**Year ended 31 July 2020 £'000**
Transactions with related companies:		
Lease payments to Heron Mill Limited	285	285
Lease payments to Berbar Properties Limited	135	135

The above companies are related due to common control and Directors. Barry Franks, Andrew Gossage and Simon Showman are Directors of Heron Mill Limited. Barry Franks (15 ordinary shares of £1.00 each), Simon Showman (50 ordinary shares of £1.00 each) and A&T Property Investments Limited (20 ordinary shares of £1.00 each) are also shareholders of Heron Mill Limited. Andrew Gossage is a Director of A&T Property Investments Limited. Barry Franks is a Director and the sole shareholder of Berbar Properties Limited.

There were no outstanding balances with related companies or businesses at 31 July 2021 or 31 July 2020.

31. Operating Lease Arrangements

Leases which are low-value or short-term, as explained in note 3, are excluded from the lease liability under IFRS 16. Outstanding commitments for future lease payments under non-cancellable low-value or short-term leases were as follows:

	31 July 2021 £'000	**31 July 2020 £'000**
Within one year	28	31
In the second to fifth years inclusive	1	1
	29	32

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held at 2.00pm on 10 December 2021 at the Company's registered office, Manor Mill, Victoria Street, Oldham OL9 0DD.

GLOSSARY

The following definitions apply throughout this Annual Report unless the context requires otherwise:

'Audit and Risk Committee'	the audit and risk committee of the Board;
'B2C'	business to consumer;
'Board'	the board of Directors;
'CA$' or 'CAD' or 'Canadian Dollar	the lawful currency of Canada;
'CBM'	Cubic meters;
'CNY'	the lawful currency of China;
'Company' or 'Ultimate Products'	UP Global Sourcing Holdings plc, a company incorporated in England and Wales with registered number 05432142;
'CY 21'	the calendar year 2021;
'Coronavirus Job Retention Scheme' or 'CJRS'	the UK government's grant scheme introduced to support employers' payroll costs for furloughed employees;
'Directors'	the Executive and Non-Executive Directors;
'EAP'	The Employee Assistance Programme is a wide ranging and confidential support system for our employees;
'EBITDA'	Earnings before interest, tax, depreciation, amortisation and profit or loss on disposal;
'EMI Scheme'	the Enterprise Management Incentive approved employee share scheme under which share options were granted in 2014;
'ERP'	The enterprise resource planning computer system manages and integrates amongst others, financial information, supply chain and operations;
'ESG'	Environmental, Social and Governance;
'ETI Code of Conduct'	Ethical Trading Initiative code based on the conventions of the International Labour Organisation;
'Executive Directors'	Simon Showman, Andrew Gossage and Graham Screawn;
'FCA' or 'Financial Conduct Authority'	the UK Financial Conduct Authority;
'Free Cash Flow'	net cash from operations less net capital expenditure (after deducting disposal proceeds) and less net interest paid in the year (after deducting interest received);
'Free on Board' or 'FOB'	the free on board contractual arrangements pursuant to which goods are handed over to the Group's customers in the country of origin and are then imported into the UK and other territories by those same customers;
'FSMA'	the Financial Services and Markets Act 2000, as amended;
'FY 17'	the financial year for the Group for the 12 months ended 31 July 2017;
'FY 18'	the financial year for the Group for the 12 months ended 31 July 2018;
'FY 19'	the financial year for the Group for the 12 months ended 31 July 2019;
'FY 20'	the financial year for the Group for the 12 months ended 31 July 2020;
'FY 21'	the financial year for the Group for the 12 months ended 31 July 2021;
'FY 22'	the financial year for the Group for the 12 months ended 31 July 2022;

'GDPR'	The General Data Protection Regulation being a legal framework that sets guidelines for the collection and processing of personal information from individuals who live in the UK and the European Union;
'GHG'	Greenhouse gas. A greenhouse gas (GHG or GhG) is a gas that absorbs and emits radiant energy within the thermal infrared range, causing the greenhouse effect;
'Group'	the Company and its Subsidiaries from time to time;
'H1'	the six-month period ended 31 January;
'H2'	the six-month period ended 31 July;
'HGV'	Heavy goods vehicle;
'Independent Non-Executive Directors'	independent Non-Executive Directors of the Company, within the meaning of the UK Corporate Governance Code, being James McCarthy, Robbie Bell, Alan Rigby, and since 21 September 2020 Christine Adshead and Jill Easterbrook;
'IPO' or 'Initial Public Offering'	the Group's admission to the premium segment of the Official List of the Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange plc on 6 March 2017;
KPI	Key performance indicators
'Landed'	the Landed duty paid arrangements pursuant to which the Group imports goods into the UK;
'LFL'	like-for-like;
'Net Debt' or 'Net Bank Debt'	total borrowings excluding unamortised debt issue costs and less cash balances at the end of the financial year;
'Net Debt/Underlying EBITDA Ratio'	Net Debt at the end of the financial year divided by Underlying EBITDA for the same period;
'Nomination Committee'	the nomination committee of the Board;
'Non-Executive Directors'	James McCarthy, Robbie Bell, Alan Rigby, until 18 September 2020, Barry Franks, and since 21 September 2020 Christine Adshead and Jill Easterbrook;
'Official List'	the Official List of the UK Listing Authority;
'PLN' or 'Polish Zloty'	the lawful currency of Poland
'PSP'	Performance Share Plan scheme;
'Q1'	the first quarter of the financial year;
'Q3'	the second quarter of the financial year;
'Q3'	the third quarter of the financial year;
'Q4'	the fourth quarter of the financial year;
'QA'	quality assurance;
'Remuneration Committee'	the Remuneration Committee of the Board;
'Remuneration Policy'	the proposed Remuneration Policy of the Board;
'RIDDOR'	the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations;
'SAYE'	Save As You Earn share scheme;
'SBT'	Science-Based Targets applied to reduce greenhouse gas emissions;
'SDG'	The UN 17 Sustainable Development Goals;
'SECR'	Streamlined Energy and Carbon Reporting;
'SEDEX'	a not-for-profit membership organisation dedicated to driving improvements in responsible and ethical business practices in global supply chains;
'Sterling' or 'GBP' or '£'	the lawful currency of the UK;

'Subsidiary'	has the meaning given to it in section 1159 of the Companies Act and includes Group companies included in the consolidated Financial Statements of the Group from time to time;
'TCFD'	The Task Force on Climate-Related Financial Disclosures who has developed a reporting framework based on a set of consistent disclosure recommendations as a means of providing transparency about their climate-related risk exposures;
'Time to Pay'	the UK government's scheme promoted after the COVID-19 lockdown to defer the payment of PAYE and other UK tax liabilities;
'UK Listing Authority'	the FCA in its capacity as the competent authority for the purposes of Part VI of FSMA;
'Underlying Earnings Per Share'	Underlying Profit for the Year divided by the weighted average number of shares in issue for the year;
'Underlying EBITDA'	EBITDA after adding back the exceptional items and share-based payment charges;
'Underlying EBITDA Margin'	Underlying EBITDA divided by revenue for the same period, expressed as a percentage;
'Underlying Profit Before Tax'	profit before taxation after adding back the exceptional items and share-based payment charges;
'Underlying Profit for the Year'	profit for the year after adding back the tax effect for the exceptional items and share-based payment charges;
'United Kingdom' or 'UK'	the United Kingdom of Great Britain and Northern Ireland;
'UPGS EBT' or 'EBT'	the UP Global Sourcing Employee Benefit Trust established to hold shares for the benefit of the Company's employees and to satisfy the vesting of awards under the Company's share schemes;
'US$' or 'USD' or 'US Dollar	the lawful currency of the United States of America;
'VAT Deferral'	the UK government's scheme introduced after the COVID-19 lockdown to delay the payment of VAT liabilities.

The Reconciliation of Underlying Performance Measures is set out in the table below.

Reconciliation of Underlying Performance Measures

	Audited Year ended 31 July 2021 £'000	Audited Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Profit from operations	10,026	9,115	8,940	5,799	7,932
Depreciation and amortisation	1,579	1,429	1,523	1,175	940
Loss/(gain) on disposal	44	18	-	-	(5)
EBITDA	**11,649**	**10,562**	**10,463**	**6,974**	**8,867**
Share-based payment charges and other non-underlying items	1,642	(199)	257	192	3,232
Underlying EBITDA	**13,291**	**10,363**	**10,720**	**7,166**	**12,099**
Profit before taxation	9,508	8,362	8,130	5,382	7,387
Share-based payment charges and other non-underlying items	1,642	(199)	257	192	3,232
Underlying profit before tax	**11,150**	**8,163**	**8,387**	**5,574**	**10,619**
Profit for the year	7,313	6,615	6,410	4,249	5,543
Share-based payment charges and other non-underlying items	1,642	(199)	257	192	3,232
Tax on share-based payment charges and other non-underlying items	(228)	88	-	-	(401)
Underlying profit for the year	**8,727**	**6,504**	**6,667**	**4,441**	**8,374**
Underlying profit for the year	8,727	6,504	6,667	4,441	8,374
No of shares	82,521,850	82,169,600	82,169,600	82,169,600	77,254,220
Underlying earnings per share	**10.6p**	**7.9 p**	**8.1 p**	**5.4 p**	**10.8 p**

The results for the years ended 31 July 2017 to 31 July 2019 have been previously restated to reflect the impact of IFRS 16 in the year ended 31 July 2020, and are therefore unaudited.