COMPANY REGISTRATION NUMBER: 3357718

UP Global Sourcing UK Limited

Financial Statements

31 July 2022

Contents

The board of Directors	S Showman A Gossage D Bloomfield C Dent
Company secretary	C Dent
Registered office	Manor Mill Victoria Street Chadderton Oldham OL9 0DD
Auditor	BDO LLP Chartered Accountants & Statutory Auditor 3 Hardman Street Spinningfields Manchester M3 3AT
Bankers	HSBC 1st Floor 4 Hardman Square Spinningfields Manchester M3 3EB

The Directors present their Strategic Report for the Company for the year from 1 August 2021 to 31 July 2022.

Overview

The Company is the owner, manager, designer and developer of a series of well-known brands focused on the home, selling to over 300 retailers across 45 countries. It has five major product categories: Small Domestic Appliances, Housewares, Laundry, Heating and Cooling and Audio. Its 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.

Founded in 1997, the Company is headquartered in Oldham, Greater Manchester, where it has design, sales, marketing, buying, quality assurance, support functions and warehouse facilities across two sites. In addition, it has offices and showrooms in Guangzhou, China and Cologne, Germany.

Review of the business

We are very pleased with the record financial performance for the year ended 31 July 2022 achieved against the backdrop of a shipping crisis, general supply chain disruption and COVID-19.

Revenue increased by 13% (+£17.9m) to £154.2m driven largely by the Salter acquisition during July 2021. Underlying revenue grew by 1%. The business has seen strong progress with Supermarkets, which have now become our largest revenue channel with sales of £51.5m, as we continue to diversify and extend our customer base, especially into European supermarkets. Discounters are down slightly year-on-year, which is partially due to over-stocking by these retailers during FY21. Although overall online sales grew by 23% to £25.3m, it was disappointing that organic online sales fell by 1%. This was as a direct result of the shipping crisis which reached its peak during the summer of 2021 which resulted in sub-optimal stock levels available for our online customers and led to a year-on-year decline in Online sales during the first half of the year. When the supply chain issues eased and we were able to bring stock levels back to an optimal level, we saw Online sales grow 20% year-on-year during the second half of the year. In line with our international growth strategy, we have continued to see sales to international customers outpace domestic growth. Growth has been particularly strong in Germany, with sales reaching £19.2m (2021: £13.8m).

Gross profit has increased by 27% to £38.4m (2021: £30.2m), reflecting an increase in gross margin from 22.2% to 24.9%. This increase has been achieved despite a 2.2% headwind in freight costs, as new sales have come from higher margin channels. While gross profit increased by 27%, the increase in overheads (excluding interest, depreciation and amortisation) was substantially lower, resulting in record EBITDA of £18.3m (2021: £11.8m). The balance sheet remains strong and the Company continues to maintain comfortable levels of headroom within its facilities and operate well within its banking covenants.

Integration of the Salter Acquisition

The acquisition of Salter, at the end of FY21, was an exciting moment in the history of the Company. Salter is the UK's oldest housewares brand, dating back to 1760, and has long been the market leader for bathroom and kitchen scales in the UK with kitchen electrical and cookware sold under licence by the Company since 2011. The acquisition substantially strengthened our brand portfolio with full ownership now enabling us to drive growth of this brand in a way that we could not have achieved when it was licensed, with international expansion representing a particular opportunity given its substantial British heritage credentials. Integration of the business took place quickly and efficiently with the significant earning-enhancing acquisition performing in line with our plans.

Robotics Process Automation

As both a B2C and B2B supplier, our position in the supply chain brings complexity that must be carefully managed to continue to provide the best service to our customers. We see this complexity as an opportunity as it represents a significant barrier to entry. We therefore continue to concentrate on developing our systems with a relentless focus on driving productivity through the use of automation. The next step in this journey is the investment in robotics across the entire business to automate hundreds of tasks. This investment has taken the form of modest additional heads into our process team, rather than significant extra capital expenditure.

Through this, we expect to see increased productivity and improved accuracy resulting in enhanced operating margins and an even better customer experience.

Petra Brand Update

During 2021, the Company purchased Petra, the German kitchen electrical brand. Founded in Bavaria in 1968, Petra originally specialised in coffee machines before expanding its range into other kitchen electrical products. Market research shows that it remains well known to German consumers, despite the limited brand investment from its previous owner. Since the acquisition, Petra has been refreshed with new branding and a range of kitchen electrical appliances. We are delighted that the brand will be launched with one of Germany's largest hypermarket groups in late 2022, with a substantial initial order received for products including waffle makers, air fryers and multi-meal makers. This exciting development underlines our belief that Petra, with its German heritage and reputation for quality and design, has the potential in time to be a brand of the scale of Salter or Beldray.

Head Office Investment

In September we welcomed colleagues back to our head office, Manor Mill, having completed our £1.6m investment to provide a best-in-class working environment and additional capacity for future growth. This investment is an important step in the development of our talent through collaborative working and the interchange of ideas. It is an important part of an overall approach whereby we have created an effective post-pandemic way of working, allowing us to better serve our customers. In addition, we have installed 1,150 solar panels on the roof which is a key development into our commitment to Net Zero.

Principal risks and uncertainties

Area	Risk	Mitigation
Macroeconomic factors	Macroeconomic trends affecting consumer confidence and reducing non-food spending such as inflationary pressures, higher taxation, and higher interest rates, could affect retail demand.	The Company's international business provides economic diversity and some protection against a downturn in the UK economy. Despite the challenging market conditions, the Company sees the opportunity to increase its market share by developing new customer relationships, particularly internationally and through online channels. The Company's products, being mass-market and value-led, are well placed in the event of an economic downturn.
Sourcing	A major loss of continuity in the supply of goods for resale could adversely affect the Company's revenues. Heavy reliance on China as a source of products. Any deterioration in, or changes to political, economic or social conditions in China could disrupt the supply of goods or result in higher product cost prices.	The Company maintains close relationships with its suppliers through regular factory visits and interaction with its local teams. Wherever possible, multiple sources of supply are sourced for major products. The Company closely monitors developments in China and continues to consider and use alternative sources when practicable and viable. COVID-19's potential impact on the supply of goods for resale is referred to above.

Area	Risk	Mitigation
Supply chain management	Inefficient stock management could result in overstocking, which may adversely affect working capital. Conversely, understocking, could limit the Company's ability to maximise revenue opportunities. Although there has been an abatement in the recent shipping and haulage capacity issues, any return in these issues could affect the availability and the costs of shipping.	Stock levels and purchasing are closely managed, with all purchase orders being reviewed before being placed. The Company's systems facilitate close management of the completion and timing of purchase orders placed. Stock is categorised between 'free' and (pre) 'sold' to ensure that management focus on higher risk items. 'Free' stock is reviewed and prompt actions are taken where necessary. The Company has taken various steps to mitigate the impact of increased shipping costs and the reduction in shipping capacity, including prioritising, rationalising and dynamically managing the volume of imported product.
Margin pressure	A tough retail environment, increased shipping and road haulage costs and the impact of weakened Sterling could put pressure on gross margin.	The Company's strategy of international growth, expansion of online channels and increased penetration of supermarkets continues to provide greater diversity and a balanced-margin portfolio. The Company also employs a combination of margin-enhancing initiatives including monitoring profitability of individual product lines, continued product innovation and refreshing product ranges, balanced against the need to ensure that our products remain competitive. Furthermore, the Company seeks to constantly develop and implement productivity improvements. The Company actively manages foreign exchange risk through use of forward contracts.

Area	Risk	Mitigation
Protection of brands	Failure to develop and enhance the product range of our brands could result in loss of our competitive advantage, which could impact on the Company's turnover. Failure to develop or acquire new brands could restrict growth, given the Company's brand-led strategy. Failure to renew or delays in renewing licences for key brands could impact turnover.	A high level of new product development focus is maintained and monitored by the Board. Buying teams attend trade shows and carry out store and factory visits to ensure that they are in touch with the latest consumer demands and trends. The Company continues to develop a 'second tier' of brands and monitors opportunities to acquire new brands. The risk arising from the non-renewal of licences has reduced significantly as a result of the Company's acquisition of the Salter brand. The risk in relation to other licences is mitigated by maintaining strong revenues to and good working relationships with licensors.
Climate Change & Environmental	Climate change is a widely acknowledged global emergency, with the need to act faster becoming evident. Managing the greenhouse gas emissions associated with our supply chain is critical to reducing our impact on climate change. The physical and financial impacts of climate change are already being felt and are set to intensify.	The UP Global Sourcing Holdings plc group ('the Group') of which the Company is part, has established an ESG committee to extend oversight and governance for monitoring the delivery of climate commitments. We have stated a strong commitment to be net zero by 2050. This pledge is in the process of being supported by road maps and targeted decarbonisation plans. We are working internally and with third-party organisations to developing this suite of metrics to enable us to monitor progress.
Legal and regulatory	Failure to comply with legal and regulatory requirements, including environmental and climate change developments, both in the UK and in other countries in which the Company operates, could result in fines or adverse impact on the Company's reputation.	The Board monitors the changing landscape of laws and regulations. New legal and regulatory requirements are discussed by the Group's Audit and Risk Committee whose members contribute insight and experience of such matters. External technical and consulting expertise is sought when required. The Company has procedures for ensuring ongoing compliance with legal obligations, including external annual audits, and runs a programme of new-starter/refresher annual training.

Area	Risk	Mitigation
Human resources	Failure to attract and retain high-quality individuals, both in the UK and internationally, could impact on the delivery of the Company's strategy.	The Graduate Development Scheme, along with links to local universities, provides a steady inflow of high-quality staff to support the future growth of the Company, whilst the Senior Management Development Programme and its Introduction to Leadership course aim to create a succession of employees into senior roles. A number of steps are taken to encourage the retention of the employees, including the SAYE and PSP share ownership schemes to incentivise its workforce and to further improve retention.
Cyber security	Risk of cyber crime with the potential to cause operational disruption, loss or theft of information, inability to operate effectively, loss of online sales or reputational damage.	The Company continues to review and invest, where appropriate, in the development and maintenance of our IT infrastructure, systems and security. An external IT security audit is carried out on an annual basis to ensure that any weaknesses in our systems are identified and can be rectified. New employees receive IT training to increase awareness of cyber risk. Disaster recovery, business continuity and crisis communication plans are maintained.

Future prospects

The current cost of living crisis represents a substantial challenge to all consumer facing businesses. The Directors believe that the Company is well placed to respond to this given its relentless focus on delivering value. We intend to carry on taking market share and through this continue to deliver growth despite the challenging market backdrop.

Key performance indicators ("KPIs")

The Company uses a range of financial and non-financial key performance indicators in order for the Directors to monitor and measure the current and forecast performance of the business with respect to the budget and prior year. With regard to financial KPIs, amongst others, the Directors measure the profitability of the business, the development of the order book and gross margin and key working capital components along with the level of bank debt. Profitability measures include monitoring the EBITDA and turnover as referred to in the review of the business above. Non-financial KPIs include monitoring service levels and product quality within the supply chain and the overall headcount of the business.

Community

The Company continues to support charitable organisations that are integral to the local community, including Positive Steps, a charitable organisation that delivers a range of targeted and integrated services for young people, adults and families and Oldham Foodbank, part of a nationwide network of foodbanks working to combat poverty and hunger.

Offering job opportunities to our local community is something we firmly believe in. Keeping employment local positively boosts the local economy and aids in our own staff retention. We have adapted our UK recruitment methods, using our internal recruitment team and recruitment partners, to include a local focus.

Environment
We recognise that the environment and its natural resources are incredibly precious and we are constantly striving for new opportunities to improve sustainability within our own operations and wider supply chain, with a particular focus on carbon reduction, packaging, waste management and improved product quality and life cycle.

Product packaging has a focus on removing, reducing or replacing plastic and paper with more environmentally friendly alternatives. Our focus on product involves prolonging the life span or, where possible, changing to sustainably sourced materials, such as FSC certified wood. Product quality will also be a focus as, if executed correctly, this can have a material difference on its life span.

The main driver for our environmental ideas and actions for change are our 4Rs:

- **Remove:** To seek opportunities to remove any unnecessary aspects to our operation or product ranges that are negatively impacting the environment, in particular carbon emissions, unnecessary packaging, materials or waste.
- **Replace:** To switch our materials, equipment, suppliers or resources with more environmentally-friendly solutions.
- **Reduce:** To seek opportunities to reduce the use of non-environmentally friendly materials and equipment to the minimum requirements. This also includes an ability to reduce our carbon footprint and recycle where possible, especially within our waste management or packaging.
- **Rebalance:** If we are unable to remove, replace or reduce we must then find a solution to positively rebalance our negative impact with a positive one.

Section 172 Statement

Statement by the Directors in performance of their statutory duties in accordance with Section 172(1) Companies Act 2006

The Directors are bound by their duties under the Companies Act 2006 to promote the success of the Company for the benefit of our shareholders as a whole, having regard to other key stakeholders.

The Board of Directors ('the Board') recognise that stakeholder engagement is essential to understand what matters most to our stakeholders and the likely impact of any key decisions. The Company's stakeholders are its employees, customers, suppliers, and shareholders & lenders and the Board recognises the need to regularly review and consider who its stakeholders are as it makes decisions. We encourage the development of long-term relationships with our stakeholders in accordance with our culture and values, with the ongoing desire to be a trusted, best-in-class partner to all of our stakeholders equally. The Board is aware that in some situations, stakeholders' interests will be conflicted and they may have to prioritise interests. The Board ensures that as part of its decision making process, the Directors assess the impact of the decision on our stakeholders and the likely consequences of any decision in the long term.

Stakeholders	Importance to the Company	How we engage
Employees	Our committed and dedicated employees are our most important resource. We aim to cultivate and maintain a positive working environment and provide learning and development opportunities, recognition and rewards	• Employee Consultation Group • People engagement survey • SAYE and PSP schemes • Ask initiative

Customers	We are passionate about providing the highest possible customer service. Understanding the needs of our customers, evaluating our performance delivery against KPIs and evaluating feedback helps us to continually improve.	• Meeting at one of our showrooms in Oldham, Cologne or Guangzhou where we can showcase our wide range of products and help them visualise how they may be presented in store. • We monitor product ratings and feedback so that we can further improve products or, for example, produce videos and "how to" guides, helping consumers get the most out of their purchases. • We understand our customers' needs, markets and their customers, carrying out in-depth research and conducting store visits to support our understanding, so that we can present the products that best exceed their expectations.
Suppliers	Our suppliers provide us with the highest possible quality of products and services. This allows us to deliver beautiful products to our consumers and a first class service to our customers.	• Our team of local sourcing, ethics and quality colleagues in China allows regular engagement with our suppliers. • We have high expectations of our suppliers but we recognise our responsibilities and commit to prompt payment according to agreed terms. • Regular reviews take place to ensure a supply chain free of slavery and human trafficking
Shareholders & lenders	The Company is a wholly owned subsidiary of UP Global Sourcing Holdings plc, a company listed on the London Stock Exchange. Its shareholders support the long-term growth of the Group. We rely on them to finance our development and growth plans. Engaging with them regularly to communicate progress, understand their perspectives, discuss long-term issues and ensure feedback is taken into account is critical to the long-term success of the Company.	• The Directors of UP Global Sourcing Holdings plc have regular meetings and engagement with its institutional and private investors as well as with analysts and lenders in order to explain its strategy, progress and plans, and to share how they are addressing any market challenges. • UP Global Sourcing Holdings plc publishes its Annual Report, Interim Report and trading updates.

The Strategic Report was approved by the board of Directors on 13 December 2022 and signed on its behalf by:

C Dent
Director

The Directors present their report and the Financial Statements of the Company for the year ended 31 July 2022.

Principal activities
The principal activity of the Company during the year was the supply of branded household products.

Directors
The Directors who served the Company during the year were as follows:

S Showman	
A Gossage	
G Screawn	(resigned 1 August 2022)
D Bloomfield	
C Dent	(appointed 4 April 2022)

Directors' indemnity
As at the date of this report, indemnities are in force between the Company and each of its Directors under which the Company has agreed to indemnify each director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out their role as a director of the Company. The Directors are also indemnified against the costs of defending any criminal or civil proceedings, or any claim in relation to the Company or brought by a regulator as they are incurred, provided that where the defence is unsuccessful the director must repay those defence costs to the Company. The indemnities are qualifying third-party indemnity provisions for the purposes of the Companies Act 2006. In addition, the Company maintained a Directors' and officers' liability insurance policy throughout the financial year and has renewed that policy.

Dividends
The Company did not pay any dividends during the year or prior year.

Going concern
UP Global Sourcing UK Limited is part of the UP Global Sourcing Holdings plc Group ("the Group") which meets its day-to-day working capital requirements through its bank facilities with HSBC, which are subject to various facility limits and covenants.

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 scenarios, including a further Covid restrictions, supply chain issues and demand led falls in revenue due to the cost of living crisis. The Directors have considered a number of impacts on sales, profits and cash flows, taking into account experiences learnt from previous business interruptions. 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, 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 it will be able to operate within its existing banking facilities and covenants. Therefore, the Directors have a reasonable expectation that the Company and 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.

Donations
During the year, the Company made charitable donations of £24,829 (2021: £10,793) principally to local charities serving the communities in which the Company operates. During the year, the Company made no political donations (2021: £nil).

Policy on the payment of creditors
The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction,

ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

Branches
The Company has a presence in Guangzhou, China and in Cologne, Germany. The registered Representative Office in Guangzhou strengthens the Company's Far East sourcing and quality functions, managing orders with suppliers on a day-to-day basis as well as providing a Far East showroom. The registered branch in Cologne provides a showroom in Central Europe to further support the Company's international strategy.

Employment of disabled persons
Suitable procedures are in operation to support the Company's policy that disabled persons, whether registered or not, shall be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities. Where members of staff become disabled every effort is made to ensure they are retrained according to their abilities.

Employee consultation
The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

Financial instruments
The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company's exposure to foreign currency risk is partially hedged by invoicing a proportion of its turnover in US Dollars. The Company mitigates exchange rate risk for certain foreign currency trade payables and receivables by entering into forward currency contracts.

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

The Company's interest bearing liabilities expose it to the financial risks of changes in variable rate banking facilities. The Company 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.

Interest rate swaps and caps are held to manage interest rate exposures of floating rate borrowings. The interest rate swaps are designated as cash flow hedges.

Greenhouse gas emissions, energy consumption and energy efficiency action
The Company has taken the exemption available to subsidiary companies not to disclose information in respect of greenhouse gas emissions, energy consumption and energy efficiency action given that this is disclosed in the consolidated financial statements of its ultimate parent company, UP Global Sourcing Holdings plc.

Disclosure of information in the Strategic Report
The Companies Act 2006 s414C requires the directors to present a review of the business during the year to 31 July 2022 and of the position of the Company at the end of the financial year, together with a description of the principal risks and uncertainties faced. The Strategic Report can be found on pages 2 to 10 and is incorporated by reference into this Directors' Report.

Directors' responsibilities statement
The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditors

BDO LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

The Directors' Report was approved by the board of Directors on 13 December 2022 and signed on its behalf by:

C Dent
Director

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of UP Global Sourcing UK Limited ("the Company") for the year ended 31 July 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- *adequate accounting records have not been kept, or returns adequate for our audit have not been received* from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge of the company we considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the company's accounting policies, the financial reporting framework, and the UK Companies Act 2006 and industry related such as compliance with health and safety legislation, employment law and taxation legislation. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries, revenue being recognised in the incorrect period around the year end and management bias in accounting estimates. Our audit procedures included, but were not limited to:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Testing a sample of revenue transactions around the year end to supporting documentation (including invoice and proof of delivery) to assess if the revenue had been recorded in the correct period;
- We reviewed the minutes of Board meetings throughout the period to identify any issues which were pertinent to the audit and held further conversations with relevant employees such as the Group CFO to ensure that we were aware of any potential instances of non-compliance;
- We discussed among the Group engagement team, how and where non-compliance with laws and regulations and fraud might occur in the financial statements and any potential indicators of fraud. The Engagement Partner has accumulated extensive knowledge of the industry in which the Group operates.
- We addressed the risk of management override of internal controls, considered to be in connection with the posting of inappropriate journals and bias in significant management estimates and judgements, through testing journal entries processed during the year by agreement to supporting documentation, including journal entries posted with unusual account combinations or including specific key words and evaluating whether there was evidence of bias in setting significant estimates and judgements by the Directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Stuart Wood
D8CD362D513C4D9...

Stuart Wood (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK
14 December 2022

BDO LLP is a limited liability partnership registered in England & Wales (with registered number OC305127)

UP Global Sourcing UK Limited
Income Statement
Year ended 31 July 2022

	Note	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Revenue	3	154,191	136,265
Cost of sales		(115,837)	(106,051)
Gross profit		38,354	30,214
Administrative expenses		(22,598)	(19,209)
Other operating income	4	6	4
Profit from operations	5	15,762	11,009
Finance costs	8	(1,234)	(339)
Profit before taxation		14,528	10,670
Taxation	9	(3,046)	(1,944)
Profit for the year		11,482	8,726

All the activities of the Company are from continuing operations.

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Profit for the financial year	11,482	8,726
Other comprehensive income/(expense)		
Items that may subsequently be reclassified to the income statement:		
Fair value movements on cash flow hedging instruments	3,005	(200)
Hedging instruments recycled through the income statement at the end of hedging relationships	200	978
Other comprehensive income for the year	3,205	778
Total comprehensive income for the year	14,687	9,504

	Note	As at 31 July 2022 £'000	As at 31 July 2021 £'000
Assets			
Intangible assets	10	25,877	27,253
Property, plant and equipment	12	3,904	3,242
Total non-current assets		29,781	30,495
Current assets			
Inventories	13	29,162	21,674
Debtors	14	47,790	29,365
Cash at bank and in hand	15	6,168	99
Total current assets		83,120	51,138
Total assets		112,901	81,633
Liabilities			
Creditors: amounts falling due within one year	16	(49,799)	(34,567)
Total current liabilities		(49,799)	(34,567)
Net current assets		33,321	16,571
Creditors: amounts falling due after more than one year	17	(32,863)	(32,298)
Deferred tax	18	(7,340)	(6,278)
Total non-current liabilities		(40,203)	(38,576)
Total liabilities		(90,002)	(73,143)
Net assets		22,899	8,490
Share capital and reserves			
Called up share capital	21	-	-
Share premium	22	-	-
Share-based payment reserve	22	1,166	1,024
Hedging reserve	22	3,005	(200)
Merger reserve	22	(9,562)	(8,881)
Retained earnings	22	28,290	16,547
Shareholders' funds		22,899	8,490

These Financial Statements were approved by the board of Directors and authorised for issue on 13 December 2022, and are signed on behalf of the board by:

C Dent
Director
UP Global Sourcing UK Limited
Company registration number: 3357718

UP Global Sourcing UK Limited
Statement of Changes in Equity
Year ended 31 July 2022

		Share-based payment reserve £'000	Hedging reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 August 2020		796	(978)	-	7,821	7,639
Profit for the year		-	-	-	8,726	8,726
Other comprehensive income for the year:						
Cash flow hedging movement		-	778	-	-	778
Total comprehensive income for the year		-	778	-	8,726	9,504
Transactions with shareholders:						
Dividends payable	12	-	-	-	-	-
Share-based payments	23	228		-	-	228
Merger reserve arising on acquisition	14	-	-	(8,881)	-	(8,881)
At 31 July 2021		1,024	(200)	(8,881)	16,547	8,490
Profit for the year		-	-	-	11,482	11,482
Other comprehensive income for the year:						
Cash flow hedging movement		-	3,205	-	-	3,205
Total comprehensive income for the year		-	3,205	-	11,482	14,687
Transactions with shareholders:						
Dividends payable	12	-	-	-	-	-
Share-based payments	23	142	-	-	261	403
Merger reserve arising on acquisition	14	-	-	(681)	-	(681)
At 31 July 2022		1,166	3,005	(9,562)	28,290	22,899

1. General information

The Company is a private company limited by shares, registered in England and Wales. The address of the registered office is Manor Mill, Victoria Street, Chadderton, Oldham, OL9 0DD. The Company's principal activity is set out in the Directors' Report on page 9.

2. Accounting policies

These Financial Statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and the Companies Act 2006. These Financial Statements are prepared on the going concern basis, under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The Financial Statements are presented in Sterling, generally rounded to the nearest thousand. The principal accounting policies are set out below. These policies have been applied on a consistent basis with the prior year.

Going concern

UP Global Sourcing UK Limited is part of the UP Global Sourcing Holdings plc Group ("the Group") which meets its day-to-day working capital requirements through its bank facilities with HSBC, which are subject to various facility limits and covenants.

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 scenarios, including a further Covid restrictions, supply chain issues and demand led falls in revenue due to the cost of living crisis. The Directors have considered a number of impacts on sales, profits and cash flows, taking into account experiences learnt from previous business interruptions. 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, 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 it will be able to operate within its existing banking facilities and covenants. Therefore, the Directors have a reasonable expectation that the Company and 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.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. The smallest and largest group in which the Financial Statements are consolidated is headed by UP Global Sourcing Holdings plc. The Financial Statements of UP Global Sourcing Holdings plc are available on the Company's website at www.upgs.com. As such, advantage has been taken of the exemption available under paragraph 1.12 of FRS 102 and no cash flow statement has been presented for the Company. The Company has also taken the exemptions available with regards to the disclosure of financial instruments in section 11, paragraph 11.39 to 11.48A and other financial instruments in section 12 12.26 to 12.29.

Critical accounting judgements and estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. Each of the following items contain judgements and significant estimates and have the most significant effect on amounts recognised in the financial statements:

2. Accounting policies (continued)

(i) Inventory provisioning
The Company sources, imports and sells products across a range of categories including small domestic appliances, housewares, audio and laundry, 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 £341,000 (2021: £595,000).

(ii) Customer rebates
The Company 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 provisions at the balance sheet date is £2,118,000 (2021: £2,128,000).

(iii) Valuation of derivatives held at fair value through profit and loss
In estimating the fair value of an asset or a liability, the Company uses market observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third-party qualified valuers to perform the valuation. The Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The carrying amounts of derivatives at the balance sheet date are disclosed in note 22.

(iv) Valuation of acquired intangibles
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.

(v) Determination of useful economic life of acquired brands
The Directors considered the useful economic life of the acquired Salter brand. Due to the proven longevity of the brand which was established over 250 years ago, they concluded that a useful economic life of 20 years was appropriate.

Revenue recognition
Revenue is recognised once the risks and rewards of ownership have transferred. This can vary depending upon the method of dispatch. Revenue is recognised either on dispatch, receipt by customer or upon delivery to a transport company if appropriate insurance is in place. 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 Company to customers.

Rebates
Rebates payable to customers are recognised in line with relevant contractual terms. Rebates payable to customers are charged directly to the Income Statement over the period to which they relate and are recognised as a deduction from revenue.

Taxation
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.

2. Accounting policies (continued)

Deferred tax
Deferred tax is provided in full on timing differences which result in an obligation to pay more tax at the reporting date, or a right to pay less tax at a future date, at rates expected to apply when they crystalise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Financial Statements.A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is measured on an undiscounted basis.

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

Transactions and balances in foreign currencies
Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the reporting date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Employee benefits
The Company 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.

Operating leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the term of the relevant lease.

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.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Goodwill & Intangible assets
Goodwill represents the excess of the fair value of the consideration attributed to an acquisition in excess of the fair value of the net assets acquired at the date of acquisition. Intangible assets are initially recorded at cost and are subsequently stated at cost less any accumulated amortisation and 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. Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill	-	Straight line over up to 10 years
Trademarks	-	Straight line over 10 years
Brands	-	Straight line over 20 years

2. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. 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. Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Fixtures, fittings and equipment	-	16% - 50% straight line
Motor vehicles	-	25% straight line

Impairment of non-financial assets

At the end of each reporting period non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit). If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Income Statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the Income Statement. If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Income Statement.

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.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

Financial instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income. If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Income Statement.

2. Accounting policies (continued)

ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method. Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at the fair value on the date the derivative contract is entered into and are subsequently re-measured 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. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii) Hedging arrangements

The Company 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 Company 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. Interest rate caps are also held to manage interest rate exposure and are designated as cash flow hedges to the extent that the valuation exceeds the amortised cost of the hedge. 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 statement of comprehensive income. The gain or loss recognised in other comprehensive income is reclassified to the Income Statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the forecast debt instrument is derecognised or the hedging instrument is terminated.

Share-based payments

The Company 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. At each reporting date, the Company 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 value of share options is determined using a Monte Carlo model, taking into consideration the best estimate of the expected life of the option and the estimated number of shares that will eventually vest.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. Revenue

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Sale of goods	154,191	136,265

The revenue is attributable to the one principal activity of the Company. An analysis of revenue by the geographical markets that substantially differ from each other is given below:

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
United Kingdom	101,050	92,814
Europe	48,931	41,602
Rest of world	4,210	1,849
	154,191	136,265

4. Other operating income

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Rental income	5	-
Royalties receivable	1	4
	6	4

5. Profit from operations

Operating profit is stated after charging/ (crediting):

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Inventory recognised as an expense	100,744	91,967
Impairment of trade debtors	227	120
Impairment of inventory (included in cost of sales)	320	320
Foreign exchange loss	1,471	581
Operating lease rentals	1,112	913
Amortisation of intangible assets	1,376	16
Depreciation of tangible assets	1,181	791
Equity-settled share-based payments expense	403	228
Fees payable for the audit of the Financial Statements	38	38

6. Employees

The average number of persons employed by the Company during the year, including the Directors, amounted to:

	Year ended 31 July 2022 No.	Year ended 31 July 2021 No.
Sales staff	78	67
Distribution staff	77	56
Administrative staff	201	164
	356	287

The aggregate payroll costs incurred during the year, relating to the above, were:

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Wages and salaries	13,014	11,339
Social security costs	1,205	1,078
Other pension costs	294	223
	14,513	12,640

Included within wages and salaries above was £403,000 (2021: £228,000) in respect of share based payments, details of which are given in note 23. Other pension costs of £294,000 (2021: £223,000) relate to defined contribution pension plans.

7. Directors' emoluments

The Directors' aggregate remuneration in respect of qualifying services was:

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Remuneration	1,136	1,405
Company contributions to defined contribution pension plans	12	4
	1,148	1,409

Remuneration of the highest paid director in respect of qualifying services:

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Aggregate remuneration	434	595

The number of Directors who accrued benefits under company pension schemes and share-based payment schemes was as follows:

	Year ended 31 July 2022 No.	Year ended 31 July 2021 No.
Money purchase pension schemes	3	1
Management Incentive Plan	2	3
Performance Share Plan	3	2

8. Finance costs

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Interest on banks loans and overdrafts	359	166
Interest due to group undertakings	804	97
Amortisation of debt issue costs	16	60
Other interest payable and similar charges	55	16
	1,234	339

9. Taxation expense on ordinary activities

Major components of tax expense	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Current tax:		
UK current tax expense	2,495	1,632
Adjustments in respect of prior periods	(313)	(26)
Total UK current tax	2,182	1,606
Foreign current tax expense	463	640
Total current tax	2,645	2,246
Deferred tax:		
Origination and reversal of timing differences	231	(255)
Impact of change in tax rate	75	(10)
Adjustments in respect of prior period	95	(37)
Total deferred tax	401	(302)
Taxation expense on ordinary activities	3,046	1,944

The Company has received group relief during the period from other group undertakings. All group relief received is paid for in full and therefore has no net impact on the Company's tax charge for the period.

Reconciliation of tax expense on profit

The tax assessed on the profit on ordinary activities for the year is higher than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Profit on ordinary activities before taxation	14,528	10,670
Profit on ordinary activities by rate of tax	2,760	2,027
Adjustment to tax charge in respect of prior periods	(218)	(63)
Effect of expenses not deductible for tax purposes	72	57
Impact of overseas tax rates	235	307
Differences arising on the tax treatment of share schemes	51	(342)
Effect of difference in corporation tax and deferred tax rates	146	(42)
Tax on profit	3,046	1,944

Corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the year. 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 25%.

10. Intangible assets

	Trademarks £'000	Brands £'000	Total £'000
Cost			
At 1 August 2021	222	27,072	27,294
Additions	-	-	-
At 31 July 2022	222	27,072	27,294
Amortisation			
At 1 August 2021	41	-	41
Charge for the year	22	1,354	1,376
At 31 July 2022	63	1,354	1,417
Carrying amount			
At 31 July 2022	159	25,718	25,877
At 31 July 2021	181	27,072	27,253

Intangible assets primarily relate to the Kleeneze and Petra trademarks and the Salter brand. Details regarding the acquisition of the Salter brand can be found in note 11. The amortisation charge for trademarks reflects the spreading of the cost of Kleeneze and Petra over their remaining expected useful lives of 5.8 years and 8.6 years respectively. The amortisation charge for brands reflects the spreading of the cost of the Salter brand over its remaining expected useful life of 20 years.

11. Acquisitions

Following the acquisition of Salter Brands Limited, the UK market leader for bathroom and kitchen scales, by the Company's parent undertaking, UP Global Sourcing Holdings plc on 15 July 2021, the Company acquired the trade and assets of Salter Brands Limited on 30 July 2021 for consideration of £32,000,000. The fair value of the consideration transferred was made up as follows:

	£'000
Inter-company loan	32,000
Total consideration	32,000

The book and fair values of the net assets acquired are shown in the table below. The fair values were determined by reference to the acquisition of Salter Brands Limited by UP Global Sourcing Holdings plc adjusted for any movements in the period between acquisition and subsequent transfer to the Company, and reflect the re-assessment of fair values during the year ended 31 July 2022 based on the final completion accounts.

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Tangible fixed assets	8	(8)	-
Intangible fixed assets	-	27,072	27,072
Inventories	4,734	(273)	4,461
Debtors and prepayments	65	(2)	63
Creditors	(1,930)	(448)	(2,378)
Provisions	(104)	-	(104)
Accruals	(43)	-	(43)
Deferred tax liabilities	-	(6,633)	(6,633)
Total identifiable net assets	2,730	19,708	22,438

11. Acquisitions (continued)

This transaction has been accounted for using the merger accounting method. The Company has recognised a merger reserve of £9,562,000 representing the difference between the consideration transferred and the fair value of the net assets acquired. The merger reserve increased by £681,000 during the year as a result of the re-assessment of the fair values of net assets acquired referred to above.

12. Property, plant and equipment

	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 August 2021	6,659	56	6,715
Additions	1,843	-	1,843
Disposals	(894)	-	(894)
At 31 July 2022	7,608	56	7,664
Depreciation			
At 1 August 2021	3,433	40	3,473
Charge for the year	1,168	13	1,181
Disposals	(894)	-	(894)
At 31 July 2022	3,707	53	3,760
Carrying amount			
At 31 July 2022	3,901	3	3,904
At 31 July 2021	3,226	16	3,242

Included in property, plant and equipment are assets held outside the UK with a carrying amount at 31 July 2022 of £108,000 (2021: £218,000).

13. Inventories

	2022 £'000	**2021 £'000**
Goods for resale	29,162	21,674

14. Debtors

	2022 £'000	**2021 £'000**
Trade debtors	30,643	25,372
Amounts owed by group undertakings	11,763	2,438
Corporation tax	-	39
Other debtors and prepayments	5,384	1,516
	47,790	29,365

All debtors fall due within one year of the reporting date. Trade debtors are stated after provisions for impairment of £388,000 (2021: £178,000).

15. Cash and cash equivalents

	2022 £'000	**2021 £'000**
Cash at bank and in hand	6,168	99

16. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Bank loans and overdrafts	20,087	6,014
Trade creditors	20,660	19,293
Amounts owed to group undertakings	29	113
Corporation tax	276	-
Social security and other taxes	1,542	1,526
Accruals and deferred income	7,205	7,621
	49,799	34,567

Bank loans and overdrafts are stated net of £19,000 (2021: £35,000) of fees which are being amortised over the length of the relevant facility. UP Global Sourcing UK Limited is part of the UP Global Sourcing Holdings plc Group which meets its day-to-day working capital requirements through its bank facilities with HSBC. The facilities, which run until 2024, comprised as at 31 July 2022 a revolving credit facility of £8.2m, an import loan facility of £9.0m, an invoice discounting facility of £23.5m and a term loan facility of £10m. The import loan facility is ancillary to the revolving credit facility, repayable on demand and subject to annual review. Bank overdrafts are secured by fixed and floating charge over the assets of the Company and of the UP Global Sourcing Holdings plc Group in favour of HSBC, with HSBC having the benefit of cross-guarantees from the Company and UP Global Sourcing Holdings plc. Included within current bank loans and overdrafts is a gross amount of £8,179,000 (2021: £2,759,000) 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. Current bank loans and overdrafts also include a gross amount of £6,196,000 (2021: £3,290,000) due under invoice discounting facilities, which are secured by an assignment of, and fixed charge over, the Company's trade debtors. The above amounts owed to group undertakings are unsecured, repayable on demand and interest free.

17. Creditors: amounts falling due after more than one year

	2022 £'000	2021 £'000
Bank loans and overdrafts	-	298
Amounts owed to group undertakings	32,863	32,000
	32,863	32,298

Amounts owed to group undertakings are unsecured and bear interest at a rate of 2.5% per annum.

18. Deferred tax

	Intangibles £'000	Capital allowances £'000	Hedging £'000	Share schemes £'000	Other timing differences £'000	Total £'000
Balance brought forward	6,633	146	-	(449)	(52)	6,278
(Credit)/charge in the year	(203)	399	-	202	3	401
Recognised through the statement of changes in equity	-	-	661	-	-	661
Balance carried forward	6,430	545	661	(247)	(49)	7,340

Deferred tax assets in respect of the excess of depreciation over taxation allowances and other timing differences are expected to reverse in future periods.

19. Financial Instruments

Derivative financial instruments - Forward contracts
The Company mitigates the exchange rate risk for certain foreign currency trade debtors and creditors by entering into forward currency contracts. At 31 July 2022 the Company was committed to:

	2022		2021	
	Buy	**Sell**	**Buy**	**Sell**
US$'000	57,050	-	54,875	-
€'000	-	23,200	-	23,575
CA$'000	-	60	-	140
PLN'000	-	5,500	-	2,800
CNY'000	2,459	-	4,400	-

At 31 July 2022, all the outstanding USD, EUR, PLN and CAD contracts mature within 12 months of the period end (2021: 12 months). The CNY contracts, which are held to hedge a lease commitment, mature over the length of that lease ending in August 2023.

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. The fair value of the contracts at 31 July 2022 is an asset of £2,863,000 (2021: £97,000 asset).

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 £2,820,000 (2021: £220,000 liability), 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 £2,814,000 within 12 months and £6,000 after 12 months (2021: £219,000 within 12 months and £1,000 after 12 months). The cash flows in respect of the forward contracts will occur over the course of the period to August 2023 in accordance with the expiry of the contracts as noted above.

Derivative financial instruments - Interest rate swaps and interest rate caps
The Company has entered into interest rate swaps and interest rate caps to protect the exposure to interest rate movements on the various elements of its banking facility. As at 31 July 2022, protection was in place over an aggregate principal of £6,800,000 (2021: £8,100,000). 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 £138,000 (2021: £20,000 asset), 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 by 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 that are effective in offsetting the variable interest rate risk on variable rate debt is an asset of £47,000 (2021: £nil) 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 by 28 February 2025.

20. Share-based payments

The parent undertaking, UP Global Sourcing Holdings plc, has established a number of different long-term incentive plans in the form of equity settled share option schemes for the benefit of the employees of the Company. Awards are granted and approved at the discretion of the Remuneration Committee. Further details of these schemes are set out in the Remuneration Report of UP Global Sourcing Holdings plc's Annual Report for the year ended 31 July 2022. Currently 157 (2021: 139) members of staff hold options for shares in UP Global Sourcing Holdings plc under the scheme. The total share-based payments expense recognised during the year was £403,000 (2021: £228,000). This all arises on equity-settled share-based payment transactions.

Sharesave scheme (SAYE)	2022	Weighted average exercise price	2021	Weighted average exercise price
Outstanding at the beginning of the period	1,576,012	£0.51	1,147,254	£0.40
Granted during the period	443,410	£1.20	531,595	£0.74
Lapsed during the period	(46,874)	£0.90	(97,268)	£0.41
Exercised during the period	(938,817)	£0.40	(5,569)	£0.40
Outstanding at the end of the period	1,033,731	£0.89	1,576,012	£0.51
Exercisable at the end of the period	–	£0.00	–	£0.00

Performance share plan (PSP)	2022	Weighted average exercise price	2021	Weighted average exercise price
Outstanding at the beginning of the period	1,760,000	£0.00	1,120,000	£0.00
Granted during the period	364,000	£0.00	–	£0.00
Lapsed during the period	–	£0.00	655,000	£0.00
Exercised during the period	–	£0.00	(35,000)	£0.00
Outstanding at the end of the period	2,124,000	£0.00	1,760,000	£0.00
Exercisable at the end of the period	–	£0.00	–	£0.00

The fair value of the SAYE and PSP options granted is estimated at the date of grant using a Black-Scholes model, after taking into account the terms and conditions upon which they were granted. For options outstanding at the end of the period the range of exercise prices was 0.25p–120p (2021: 0.25p–74p), and the weighted average remaining contractual life was 6.0 years (2021: 5.7 years). The Black-Scholes pricing model is applied on the granting dates of options.

20. Share-based payments (continued)

Black-Scholes option pricing model	PSP 2022 6 June 2022	SAYE 2022 6 June 2022	PSP 2021 14 Dec 2021	SAYE 2021 31 July 2021
Closing share price, £	1.34	1.34	1.14	1.00
Exercise price, £	0.0025	1.20	0.0025	0.74
Risk-free interest rate	2.07%	2.07%	0.96%	0.27%
Expected life of option (years)	3-6	3	3-6	3
Volatility	49.6%	49.6%	76.6%	76.6%
Dividend yield	3%	3%	4%	4%

The 2017 MIP is structured as an award of A ordinary shares in UP Global Sourcing UK Limited. The right attaching to the Shares include a put option with a three-year vesting period that can be exercised up to seven 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 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:

Management incentive plan (MIP)	2022	Weighted average exercise price	2021	Weighted average exercise price
Outstanding & exercisable at the beginning of the period	2,543,773	–	2,543,773	–
Exercised during the period	(149,722)	–	–	–
Unvested during the period	(2,394,051)	–	–	–
Outstanding & exercisable at the end of the period	–	–	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 2022 the share price had not met the hurdle price referred to above and, as a result, no shares were under option.

21. Called up share capital

Issued, called up and fully paid	2022 No.	2022 £'000	2021 No.	2021 £'000
Ordinary shares of £1 each	100	-	100	-
A Ordinary shares of £0.10 each	96	-	96	-
	196	-	196	-

The A Ordinary shares have no voting rights. Dividends may only be paid to the holders of A Ordinary shares with the consent of the parent company, UP Global Sourcing Holdings plc. There are no further restrictions on the distribution of dividends and the repayment of capital.

22. Reserves

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

Share-based Payments 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.

Merger Reserve: The difference between the consideration transferred and the value of net assets acquired in respect of acquisitions accounted for under the merger accounting method.

Retained Earnings: Cumulative profit and loss net of distributions to owners.

23. Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2022 £'000	2021 £'000
Not later than 1 year	599	811
Later than 1 year and not later than 5 years	936	817
Later than 5 years	82	-
	1,617	1,628

24. Contingencies

The Company is jointly and severally liable for all amounts owed in respect of bank loans by its parent undertaking, UP Global Sourcing Holdings plc, under a cross-guarantee, which at 31 July 2022 amounted to £10,507,000 (2021: £12,486,000).

25. Ultimate parent company and controlling party

The immediate and ultimate parent undertaking is UP Global Sourcing Holdings plc, a company incorporated in the United Kingdom, which is the parent undertaking of the smallest and largest group to consolidate these Financial Statements. Copies of UP Global Sourcing Holdings plc's consolidated Financial Statements are available on the Company's website at www.upgs.com. The Company is controlled collectively by the holders of the ordinary shares of the parent company, and accordingly there is no ultimate controlling party.

26. Related party transactions

Transactions with related companies:

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Rent paid to Heron Mill Limited	407	285
Rent paid to Berbar Properties Limited	180	135

No balances in respect of related companies were outstanding at the end of either year.

26. Related party transactions (continued)

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. The Company has taken advantage of the exemption available under FRS102 in order not to disclose transactions with other wholly owned group companies. No balances in respect of Directors were outstanding at the end of either year and the maximum balance outstanding during the period was £1,250. During the year, Directors purchased goods from the Company. The total for all Directors amounted to £3,105 (2021: £1,445). During the year, a family member of a Director was employed on a short-term basis and was paid £3,533 (2021: £nil).