

COMPANY REGISTRATION NUMBER: 3357718

UP Global Sourcing UK Limited

Financial Statements

31 July 2021



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UP Global Sourcing UK Limited

Financial Statements

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UP Global Sourcing UK Limited

Officers and Professional Advisers

Year ended 31 July 2021

The board of Directors	S Showman A Gossage G Screawn D Bloomfield
Company secretary	G Screawn
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

UP Global Sourcing UK Limited

Strategic Report

Year ended 31 July 2021

The Directors present their Strategic Report for the Company for the year from 1 August 2020 to 31 July 2021.

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 38 countries. It has five major product categories: Audio; Heating and Cooling; Housewares; Laundry and Small Domestic Appliances.

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 performance and resulting growth in revenue and profitability reported for the year ended 31 July 2021 achieved against the backdrop of the COVID-19 pandemic and global shipping challenges. Revenue increased by 17.8 % (+£20.6 m) to £136.3 m.

Our four largest divisions accounted for over 85 % of sales, with strong growth in each of Small Domestic Appliances, 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 during the second half of the year ended 31 July 2020, continued to be impacted by closures for a substantial proportion of this year however did achieve growth in second half of the year.

Our strongest sectors were the supermarket and online segments, together reporting robust growth of approaching 30 %. However, online growth would have been even stronger without the reduced stock availability experienced as a result of constrained shipping capacity. This is very much seen as a temporary condition that we expect to ease throughout 2022.

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. Overall growth in the Premier Brands (Beldray, Salter, Russell Hobbs (licensed), Progress, Intempo and Kleeneze) was 27.0 % and significantly outperformed the Company as a whole. We are pleased with the continued development of our newer brands, Progress and Kleeneze, with substantially higher levels of growth achieved.

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Year ended 31 July 2021

The acquisition of the Salter brand, referred to further below, is a significant addition to our proprietary 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 during the year ending 31 July 2022.

Reported gross margin fell from 23.0 % to 22.2 %. This was largely driven by the increase in the cost of shipping as a result of the reduction in global capacity. 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 17.8 %, gross profit increasing by 13.6 % and the overheads increase (excluding interest, depreciation and amortisation) substantially lower, the Company's EBITDA increased to £11,816,000 (2020 – £9,771,000).

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.

During the year we repaid the £465,237 received under the Coronavirus Job Retention Scheme. This was made possible because the Company's profitability and cash generation were 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.*

Head office investment

Since the year ended 31 July 2020, the Company 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 talent, providing a workplace that will promote training, collaboration and the interchange of ideas between colleagues.

Acquisition of Salter Brand

During the year, the Company's parent undertaking, UP Global Sourcing Holdings plc, completed the acquisition of Salter Brands Limited. Salter is the UK's oldest housewares brand, dating back to 1760 and for over 250 years has been a market leader for bathroom and kitchen scales in the UK. Subsequent to this acquisition, on 30 July 2021, the trade and assets of Salter Brands Limited were hived across to the Company for consideration of £32,000,000.

Principal risks and uncertainties

Macroeconomic factors

Macroeconomic trends affecting consumer confidence and retail demand, including those as a result of COVID-19 (discussed below), represent a principal risk for the Company.

The Company seeks to mitigate this risk by increasing its market share through new customer relationships, expansion internationally and from growth in online channels.

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Year ended 31 July 2021

Macroeconomic factors (continued)

The Company maintains a foreign exchange hedging policy to mitigate the impact of short-term currency fluctuations. The Company's international sales also offer economic diversity and some protection against movements in Sterling.

COVID-19

Whilst many of the Government measures imposed at the height of the pandemic have now been lifted, allowing normal life to progressively return, uncertainty remains around how effectively the virus can be controlled in the future.

A resurgence in the virus could lead to the closure of factories, restricting the supply of goods available, while a return to stricter COVID measures could exacerbate or prolong the current shipping issues experienced globally. Demand could suffer disruption if non-essential retail stores are forced to close in a future lockdown scenario and operations could be impacted by employee absenteeism and travel restrictions as a result of the virus. In the long term, the pandemic may have a significant and prolonged impact on consumer attitudes and behaviour and lead to a more considered approach to spending.

Demand for the Company's products is partially protected by its range of customers including supermarkets, who typically remain open during a lockdown, along with its online platforms which, similarly, continue to operate throughout a lockdown, while the Company's brands, which are largely focused on the home, make it well placed to take advantage of the changes in consumer attitudes that have developed over the course of the pandemic, including more home working and home cooking and a greater emphasis on hygiene and cleanliness. Our products, being mass-market, value-led and innovative are well placed in the event of an economic downturn.

Established practices are in place for our colleagues in China to follow, in order to manage supply chain disruption and mitigate the impact on revenue. The Company's UK buying team remain in close contact with the team in China, who can continue factory visits and maintain a focus on innovation.

The Directors meets regularly to monitor developments in each of the countries in which it operates, in order that it can respond to changing dynamics and guidance and adapt protective financial and operational measures as appropriate.

Competitive pressures

Competitive pressures remain a principal risk for the Company. The Company protects itself from this risk by focusing on quality of product and service levels, coupled with continuous development of new products to offer uniqueness to the customer. Furthermore, the Company's focus on offering its customers a branded product range provides some protection to its competitive position in the market.

Supply chain

A protraction of the current shipping capacity and road haulage (HGV drivers) issues could continue to reduce the availability of shipping slots and increase the cost of shipping, adversely affecting revenue and leading to downward pressure on margins.

UP Global Sourcing UK Limited

Strategic Report

Year ended 31 July 2021

Supply chain (continued)

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.

Stock management

Stock obsolescence risk is managed through closely monitoring slow moving lines and prompt action to manage such lines through the various distribution channels available to the Company.

In addition, the Company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk, foreign currency risk and interest rate cash flow risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by regularly monitoring the financial risks referred to above.

Price risk

The Company's profitability is affected by price fluctuations in raw materials and labour used in the manufacture of its products. The Company continually monitors the price and availability of materials and labour but the costs of managing the exposure to price risk exceed any potential benefits given the extensive range of products and suppliers. The Directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Credit risk

The Company's sales are primarily made with credit terms, exposing the Company to the risk of non-payment by customers. The Company 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 Directors. In addition, the Company maintains a suitable level of credit insurance against its debtor book.

Foreign currency risk

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. In addition, the Company operates a hedging policy and uses foreign exchange forward contracts to further mitigate this exposure.

Interest rate cash flow risk

The Company's interest bearing liabilities relate to variable rate banking facilities. These are described further in notes 20 and 21 to the Financial Statements. 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.

UP Global Sourcing UK Limited

Strategic Report

Year ended 31 July 2021

Liquidity risk

The Company is part of the UP Global Sourcing Holdings plc Group (the "Group") which is funded by external banking facilities provided by HSBC, which were refinanced on 1 October 2019 under a five-year agreement running until 2024. The facilities comprise a combination of a revolving credit facility along with trade based facilities which are designed to ensure the Company has sufficient available funds for operations and planned expansions.

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.

Future prospects

Shipping availability and cost continues to present challenges and the Directors expect that global shipping will remain disrupted until after Chinese New Year (February 2022).

The evolving COVID-19 pandemic, including the impact of new variants of concern, creates uncertainty, however the Company is well-placed to mitigate any such impact. Indeed, the Directors believe that the 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 the Company's brands are largely focused on the home, the Company 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.

Current trading remains in line with expectations, with growth expected during the year ending 31 July 2022. As a result, we are confident in the future prospects for the business.

UP Global Sourcing UK Limited

Strategic Report

Year ended 31 July 2021

Section 172 Statement

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

The Board of Directors ("the Board") consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its stakeholders as a whole (having regard to the stakeholders and matters set out in section 172(1) (a-f) of the Act) in the decisions taken during the year ended 31 July 2021.

Information and examples of how the Company engages with key stakeholders can be found below.

Stakeholder engagement

UP Global Sourcing UK Limited's stakeholders include its employees, customers, suppliers, shareholders and lenders. The Board recognises the need to regularly review and consider who its stakeholders are as it makes decisions. The Board encourages the development of long-term relationships with the Company's stakeholders in accordance with the Company's culture and values, with the ongoing desire to be a trusted, best-in-class partner to all stakeholders equally.

Employees

Employee retention and development

Our colleagues are fundamental to our success, our purpose and to delivering on our promises to our stakeholders. We invest in our people. Whether recruiting new employees or developing our existing teams, our goal is to ensure that we foster a business culture that enhances talent and enables people to fulfil their potential. A variety of career paths, development schemes, support structures and staff recognition programmes are in place to provide a framework for staff retention, career development and future success. Such schemes include the Graduate Scheme, Introduction to Leadership Scheme, Women in Leadership Scheme and the Mentoring Programme.

Employee engagement

We understand the importance of listening to our team and providing the opportunity for colleagues to share their views, thus enabling positive working experiences and the fostering of conditions favourable to business growth and development. Our annual People Engagement Survey led by the Employee Consultation Group continues to be an excellent opportunity for colleagues across our international business to share views, raise suggestions and for our Senior Management Team to listen and learn. Analysis of our 2020 survey highlighted a series of key themes including the need for the Company to upgrade its UK head office workspace in order to offer a more innovative and modern working environment. The Company acted upon this and, in September 2021, saw the opening of a new state-of-the-art office environment, immediately improving working conditions and providing new facilities including a social area for refreshments and meetings, filtered ventilation systems, increased collaboration areas and enhanced technology for digital meetings, along with increased onsite training and development facilities.

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Strategic Report

Year ended 31 July 2021

Mental Health

In early 2021, a Mental Health Committee was formed with the aims of gathering insight into the mental health and well-being of our colleagues, providing necessary training and support to managers and striving to improve conversation, knowledge and support of mental health issues.

Customers

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 exceed their expectations. We engage with our customers in many ways but we prefer, above all, to meet in person or virtually, 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.

Suppliers

We regularly engage with our suppliers via face-to-face meetings and attendance at trade shows. With international travel impacted by the pandemic, having a team of local sourcing, ethics and quality colleagues in China has allowed us to continue to have regular engagement with our Far East suppliers at their factories.

We ensure that we source products in a responsible manner and require our suppliers to commit to our ethical trading policies, including compliance with both the *Ethical Trading Initiative Base Code* and the *Modern Slavery Act*. Our suppliers are regularly audited to confirm that they meet the necessary standards.

We have high expectations of our suppliers but we recognise our responsibilities and commit to prompt payment according to agreed terms.

Shareholders and lenders

The Company is a wholly owned subsidiary of UP Global Sourcing Holdings plc, a company listed on the London Stock Exchange. 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 UK Limited

Strategic Report

Year ended 31 July 2021

Local community

The Company has continued to support charitable organisations that are integral to the local community, including:

- Maggie's - a charity that provides free cancer support and information to affected individuals and families of all ages from its centre based in the heart of Oldham;
- Positive Steps - a charitable organisation that delivers a range of targeted and integrated services for young people, adults and families across our local community;
- The Pankhurst Trust/ Manchester Women's Aid – charities providing support to victims of domestic abuse across Greater Manchester; and
- Regenda Homes - a local housing organisation providing housing and affordable living for vulnerable people and families within the Oldham area.

We also aim to support the economy of our local communities by using local businesses where possible. This year we were able to utilise multiple local businesses as part of our head office modernisation project, enabling £1 m of the project's expenditure to remain within the local community.

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.

We take our role in this area very seriously and have been constantly assessing our environmental impact and identifying solutions that match our aims to Remove, Replace, Reduce and Rebalance.

- **Remove**
Our buying teams have been working with our suppliers on removing all unnecessary packaging materials within our product portfolios.
- **Replace**
Initiatives include replacing existing energy consumption electrical and heat-based systems with more environmentally-friendly solutions and switching the use of non-recyclable packaging items with more sustainable alternatives.

UP Global Sourcing UK Limited

Strategic Report

Year ended 31 July 2021

Environment (continued)

- **Reduce**

Our buying and supply chain teams have been using new software that maximises the ability to fill shipping containers more efficiently in order to minimise space wastage. By minimising space wastage, it ensures that we are not using unnecessary shipping containers and therefore reduces costs and carbon usage. We have also identified and implemented multiple solutions with a 'paper-reduced' focus.

- **Rebalance**

We have identified a sustainability partner that can aid our efforts to rebalance our environmental impacts, by offering solutions that can be effectively implemented and measured, including Plant a Tree and Carbon Offset initiatives.

Doing the right thing

We have developed robust, responsible policies and practices that guide what we do and how we work with others. *The policies, statements and guidelines we rely upon include, but are not limited to, the following:*

- Anti-bribery and Corruption Policy;
- Data Protection and GDPR Policy;
- Equality Policy;
- Environmental Policy;
- Whistleblowing Policy;
- Health and Safety Policy;
- Modern Slavery Statement; and
- Quality Policy.

Doing the right thing, as one of our core values, sets the tone for how the Board acts, not only with respect to our stakeholders but in all its business interactions.

The Strategic Report was approved by the board of Directors on 10 December 2021 and signed on its behalf by:



G Screawn
Director

UP Global Sourcing UK Limited

Directors' Report

Year ended 31 July 2021

The Directors present their report and the Financial Statements of the Company for the year ended 31 July 2021.

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
D Bloomfield

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

During the year, the Company paid the following dividends:

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
24 January 2020	-	2,500
30 July 2020	-	1,400
	-	3,900

UP Global Sourcing UK Limited

Directors' Report

Year ended 31 July 2021

Going concern

UP Global Sourcing UK Limited is part of the UP Global Sourcing Holdings plc Group which is funded by external banking facilities provided by HSBC. On 1 October 2019 the Group entered into a new five-year financing agreement with HSBC, providing the ongoing funding of the Group and comprising a revolving credit facility, an invoice discounting facility and an import loan facility. On 24 June 2021, the Group entered into a £10 m amortising term loan agreement with HSBC to partly fund the Salter acquisition; this also runs until October 2024. Taking account of these facilities and having considered future trading and cash flow forecasts, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

Donations

During the year, the Company made charitable donations of £10,793 (2020 – £47,646) principally to local charities serving the communities in which the Company operates. During the year, the Company made no political donations (2020 – £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.

UP Global Sourcing UK Limited

Directors' Report

Year ended 31 July 2021

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 2021 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.

UP Global Sourcing UK Limited

Directors' Report

Year ended 31 July 2021

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.

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Directors' Report

Year ended 31 July 2021

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 10 December 2021 and signed on its behalf by:



G Screawn
Director

UP Global Sourcing UK Limited

Independent Auditor's Report to the Members of UP Global Sourcing UK Limited

Year ended 31 July 2021

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 2021 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 2021 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.

UP Global Sourcing UK Limited

Independent Auditor's Report to the Members of UP Global Sourcing UK Limited

Year ended 31 July 2021

Conclusions relating to going concern (continued)

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

UP Global Sourcing UK Limited

Independent Auditor's Report to the Members of UP Global Sourcing UK Limited

Year ended 31 July 2021

Other Companies Act 2006 reporting (continued)

- 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. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

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Independent Auditor's Report to the Members of UP Global Sourcing UK Limited

Year ended 31 July 2021

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, the use of inappropriate accounting estimates and the manipulation of revenue at the year end. Our audit procedures included, but were not limited to:

- We gained an understanding of the legal and regulatory framework applicable to the industry in which they operate, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud;
- We considered the Company's compliance with laws and regulations that have both a direct and indirect impact on the financial statements the most significant of which including but not limited to, those related to the reporting framework (FRS and the Companies Act 2006), those that relate to the payment of employees and industry related such as the application of customs and duty regulations. We considered the extent to which non-compliance might have a material effect on the financial statements;
- 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 to ensure that we were aware of any potential instances of non-compliance;
- We discussed amongst the 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; and
- 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, 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.

UP Global Sourcing UK Limited

Independent Auditor's Report to the Members of UP Global Sourcing UK Limited

Year ended 31 July 2021

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:
Gary Harding
3F4CAF6004D9456...

Gary Harding (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK
10 December 2021

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 2021

	Note	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Revenue	4	136,265	115,684
Cost of sales		(106,051)	(89,084)
Gross profit		30,214	26,600
Administrative expenses		(19,209)	(17,555)
Other operating income	5	4	9
Profit from operations	6	11,009	9,054
Finance costs	10	(339)	(1,049)
Profit before taxation		10,670	8,005
Taxation	11	(1,944)	(1,841)
Profit for the year		8,726	6,164

All the activities of the Company are from continuing operations.

UP Global Sourcing UK Limited

Statement of Comprehensive Income

Year ended 31 July 2021

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Profit for the financial year	8,726	6,164
Other comprehensive income/(expense)		
<i>Items that may subsequently be reclassified to the income statement:</i>		
Fair value movements on cash flow hedging instruments	(200)	(978)
Hedging instruments recycled through the income statement at the end of hedging relationships	978	(1,278)
Other comprehensive income/(expense) for the year	778	(2,256)
Total comprehensive income for the year	9,504	3,908

UP Global Sourcing UK Limited

Statement of Financial Position

Year ended 31 July 2021

		As at 31 July 2021 £'000	As at 31 July 2020 £'000
	Note		
Assets			
Intangible assets	14	27,253	86
Property, plant and equipment	16	3,242	1,816
Total non-current assets		30,495	1,902
Current assets			
Inventories	17	21,674	16,022
Debtors	18	29,365	18,619
Cash at bank and in hand	19	99	224
Total current assets		51,138	34,865
Total assets		81,633	36,767
Liabilities			
Creditors: amounts falling due within one year	20	(34,567)	(28,968)
Total current liabilities		(34,567)	(28,968)
Net current assets		16,571	5,897
Creditors: amounts falling due after more than one year	21	(32,298)	(160)
Provisions	22	(6,278)	-
Total non-current liabilities		(38,576)	(160)
Total liabilities		(73,143)	(29,128)
Net assets		8,490	7,639
Share capital and reserves			
Called up share capital	25	-	-
Share premium	26	-	-
Share-based payment reserve	26	1,024	796
Hedging reserve	26	(200)	(978)
Merger reserve	26	(8,881)	-
Retained earnings	26	16,547	7,821
Shareholders' funds		8,490	7,639

These Financial Statements were approved by the board of Directors and authorised for issue on 10 December 2021, and are signed on behalf of the board by:



G Screawn

Director

UP Global Sourcing UK Limited

Company registration number: 3357718

UP Global Sourcing UK Limited

Statement of Changes in Equity

Year ended 31 July 2021

		Share- based payment reserve £'000	Hedging reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 August 2019		529	1,278	-	5,557	7,364
Profit for the year		-	-	-	6,164	6,164
<i>Other comprehensive income for the year:</i>						
Cash flow hedging movement		-	(2,256)	-	-	(2,256)
Total comprehensive income for the year		-	(2,256)	-	6,164	3,908
<i>Transactions with shareholders:</i>						
Dividends payable	13	-	-	-	(3,900)	(3,900)
Share-based payments	24	267	-	-	-	267
At 31 July 2020		796	(978)	-	7,821	7,639
Profit for the year		-	-	-	8,726	8,726
<i>Other comprehensive income for the year:</i>						
Cash flow hedging movement		-	778	-	-	778
Total comprehensive income for the year		-	778	-	8,726	9,504
<i>Transactions with shareholders:</i>						
Dividends payable	13	-	-	-	-	-
Share-based payments	24	228	-	-	-	228
Merger reserve arising on acquisition	15	-	-	(8,881)	-	(8,881)
At 31 July 2021		1,024	(200)	(8,881)	16,547	8,490

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

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 11.

2 Statement of compliance

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.

3. Accounting policies

Basis of preparation

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 considered the principal risks faced by the business and assessed the impact of severe but plausible downside scenarios, including the impact of a further extensive and prolonged lockdown as a result of COVID-19, having regard to the experiences from the initial periods of lockdown. In assessing whether the Group could withstand such negative impacts, the Directors have considered cash flow, impact on debt covenants and headroom *against current borrowing facilities. The 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 Company and Group have 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 the Company's Financial Statements.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

3. Accounting policies (continued)

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 in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are described below.

Accounting estimates

(i) Inventory provisioning

The Company 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 are disclosed in note 17.

(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 £2,128,000 (2020 – £2,106,000).

(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 and at the balance sheet date are disclosed in note 23.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

3. Accounting policies (continued)

(iv) 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.

Accounting judgements

(i) 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.

(ii) 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.

The Directors have considered the resilience of the Company 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 Company could withstand such negative impacts, the Board has considered cash flow, impact on debt covenants and headroom against current borrowing facilities.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

3. Accounting policies (continued)

The Company'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 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.

(iii) 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.

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 crystallise 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.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

3. Accounting policies (continued)

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.

Goodwill

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.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

3. Accounting policies (continued)

Intangible assets

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

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

Amortisation is charged to administrative expenses.

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

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.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

3. Accounting policies (continued)

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.

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.

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.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

3. 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.

ii) Financial liabilities (continued)

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.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

3. Accounting policies (continued)

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.

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.

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.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

4. Revenue

Revenue arises from:

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Sale of goods	136,265	115,684

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 2021 £'000	Year ended 31 July 2020 £'000
United Kingdom	92,814	74,045
Europe	41,602	40,667
USA	688	403
Rest of world	1,161	569
	136,265	115,684

5. Other operating income

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Rental income	4	9

6. Profit from operations

Operating profit is stated after charging/ (crediting):

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Inventory recognised as an expense	91,967	78,219
Impairment of trade debtors	120	168
Impairment of inventory (included in 'cost of sales')	320	750
Foreign exchange loss/(gain)	581	(418)
Operating lease rentals	913	912
Amortisation of intangible assets	16	12
Depreciation of tangible assets	791	705
Equity-settled share-based payments expense	228	267

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

7. Auditor's remuneration

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Fees payable for the audit of the Financial Statements	38	33

8. Particulars of employees

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

	Year ended 31 July 2021 No.	Year ended 31 July 2020 No.
Sales staff	67	66
Distribution staff	56	45
Administrative staff	164	171
	287	282

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

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Wages and salaries	11,339	9,711
Social security costs	1,078	882
Other pension costs	223	236
	12,640	10,829

Included within wages and salaries above was £228,000 (2020 – £267,000) in respect of share based payments, details of which are given in note 24.

Other pension costs of £223,000 (2020 – £236,000) relate to defined contribution pension plans.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

9. Directors' emoluments

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

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Remuneration	1,405	840
Company contributions to defined contribution pension plans	4	19
	1,409	859

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

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Aggregate remuneration	595	345

The number of Directors who accrued benefits under company pension schemes was as follows:

	Year ended 31 July 2021 No.	Year ended 31 July 2020 No.
Money purchase schemes	1	3

The number of Directors who accrued benefits under the share-based payment schemes (see note 24) was as follows:

	Year ended 31 July 2021 No.	Year ended 31 July 2020 No.
Management Incentive Plan	3	3
Performance Share Plan	2	2

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

10. Finance costs

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Interest on banks loans and overdrafts	166	297
Interest due to group undertakings	97	600
Amortisation of debt issue costs	60	57
Other interest payable and similar charges	16	95
	339	1,049

11. Taxation expense on ordinary activities

Major components of tax expense

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Current tax:		
UK current tax expense	1,632	1,352
Adjustments in respect of prior periods	(26)	(40)
Total UK current tax	1,606	1,312
Foreign current tax expense	640	509
Total current tax	2,246	1,821
Deferred tax:		
Origination and reversal of timing differences	(255)	22
Impact of change in tax rate	(10)	(8)
Adjustments in respect of prior period	(37)	6
Total deferred tax	(302)	20
Taxation expense on ordinary activities	1,944	1,841

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.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

12. Taxation expense on ordinary activities (continued)

Reconciliation of tax expense on profit

The tax assessed on the profit on ordinary activities for the year is lower than (2020 – higher than) the standard rate of corporation tax in the UK of 19 % (2020 – 19 %).

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Profit on ordinary activities before taxation	10,670	8,005
Profit on ordinary activities by rate of tax	2,027	1,521
Adjustment to tax charge in respect of prior periods	(63)	(34)
Effect of expenses not deductible for tax purposes	57	110
Impact of overseas tax rates	307	252
Differences arising on the tax treatment of share schemes	(342)	-
Effect of difference in corporation tax and deferred tax rates	(42)	(8)
Tax on profit	1,944	1,841

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 £6,430,000 would have been recognised at the year end.

13. Dividends

During the year, the Company paid the following dividends:

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
24 January 2020	-	2,500
30 July 2020	-	1,400
	-	3,900

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

14. Intangible assets

	Trademarks £'000	Brands £'000	Total £'000
Cost			
At 1 August 2020	111	-	111
Additions	111	27,072	27,183
At 31 July 2021	222	27,072	27,294
Amortisation			
At 1 August 2020	25	-	25
Charge for the year	16	-	16
At 31 July 2021	41	-	41
Carrying amount			
At 31 July 2021	181	27,072	27,253
At 31 July 2020	86	-	86

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 15.

The amortisation charge for trademarks reflects the spreading of the cost of Kleeneze and Petra over their remaining expected useful lives of 6.8 years and 9.6 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. Amortisation charges for the year have been included in administrative expenses in the Income Statement.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

15. 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 settled by means of an inter-company loan. No cash consideration was paid on acquisition.

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

	£'000
Intercompany loan	32,000
Total consideration	32,000

The book and fair values of the net assets acquired are made up as follows. The fair values of the assets as determined by reference to the acquisition of Salter Brands Limited by UP Global Sourcing Holdings plc were deemed to be the most appropriate values to use, adjusted for any movements in the period between acquisition and subsequent transfer to the Company.

	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	(40)	4,694
Debtors and prepayments	65	(2)	63
Creditors	(1,930)	-	(1,930)
Provisions	(104)	-	(104)
Accruals	(43)	-	(43)
Deferred tax liabilities	-	(6,633)	(6,633)
Total identifiable net assets	2,730	20,389	23,119

This transaction has been accounted for using the merger accounting method. The Company has recognised a merger reserve of £8,881,000 representing the difference between the consideration transferred and the fair value of the net assets acquired.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

16. Property, plant and equipment

	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 August 2020	5,184	77	5,261
Additions	2,263	-	2,263
Disposals	(788)	(21)	(809)
At 31 July 2021	6,659	56	6,715
Depreciation			
At 1 August 2020	3,397	48	3,445
Charge for the year	778	13	791
Disposals	(742)	(21)	(763)
At 31 July 2021	3,433	40	3,473
Carrying amount			
At 31 July 2021	3,226	16	3,242
At 31 July 2020	1,787	29	1,816

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

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

17. Inventories

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

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

18. Debtors

	2021	2020
	£'000	£'000
Trade debtors	25,372	17,979
Amounts owed by group undertakings	2,438	-
Corporation tax	39	-
Deferred tax asset (note 22)	-	53
Other debtors and prepayments	1,516	587
	29,365	18,619

All debtors fall due within one year of the reporting date.

Trade debtors are stated after provisions for impairment of £178,000 (2020 – £180,000).

19. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2021	2020
	£'000	£'000
Cash at bank and in hand	99	224

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

20. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Bank loans and overdrafts	6,014	3,903
Trade creditors	19,293	10,770
Amounts owed to group undertakings	113	6,038
Corporation tax	-	266
Social security and other taxes	1,526	525
Accruals and deferred income	7,621	7,466
	34,567	28,968

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 2021 a revolving credit facility of £8.2 m, an import loan facility of £8.7 m, an invoice discounting facility of £23.5 m and a term loan facility of £10 m. The import loan facility is ancillary to the revolving credit facility, repayable on demand and subject to annual review.

Included within current bank loans and overdrafts is a gross amount of £2,759,000 (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. Current bank loans and overdrafts also include a gross amount of £3,290,000 (2020 – £Nil) due under invoice discounting facilities, which are secured by an assignment of, and fixed charge over, the Company's trade debtors.

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

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

	2021 £'000	2020 £'000
Bank loans and overdrafts	298	160
Amounts owed to group undertakings	32,000	-
	32,298	160

The above bank loans and 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.

Total bank borrowings above are stated net of £35,000 (2020 – £51,000) of fees which are being amortised over the length of the relevant facility.

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

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

22. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2021 £'000	2020 £'000
Included in debtors (note 18)	-	53

	2021 £'000	2020 £'000
Included in provisions	6,278	-

The deferred tax account consists of the tax effect of timing differences in respect of:

	2021 £'000	2020 £'000
Excess of depreciation over taxation allowances	(146)	(4)
Timing differences arising on the tax treatment of share schemes	449	-
Other timing differences	52	57
Deferred tax arising on acquisition of brand	(6,633)	-
	(6,278)	53

The movement in the deferred taxation account during the period was:

	2021 £'000	2020 £'000
Balance brought forward	53	73
Movement arising during the period	302	(20)
Deferred tax arising on acquisition (note 15)	(6,633)	-
Balance carried forward	(6,268)	53

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

23. 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 2021, the Company was committed to buy \$54,875,000 (2020 – \$32,100,000), to sell €23,575,000 (2020 – €23,025,000), to sell PLN 2,800,000 (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.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

23. Financial Instruments (continued)

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 2021 is an asset of £97,000 (2020 – £1,335,000 liability).

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 – £975,000 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 £219,000 within 12 months and £1,000 after 12 months (2020 – £957,000 within 12 months and £18,000 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 2021, protection was in place over an aggregate principal of £8,100,000 (2020 – £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.

All interest rate swaps meet the conditions for hedge accounting, as set out in the accounting policies in note 3. 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 £20,000 (2020 – £3,000 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 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 was an asset of £7,000 (2020 – £20,000 asset).

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

24. Share-based payments

1. Management Incentive Plan – 2017

On 28 February 2017, immediately preceding its parent company, UP Global Sourcing Holdings plc'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. The rights 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 A ordinary shares in either cash or shares in UP Global Sourcing Holdings plc, 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 number and weighted average exercise price of the options in issue, based upon the conditions present at each year end were as follows:

MIP	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 beginning of the year	-	-	-	-
Arising as a result of changes in share price	2,543,773	-	-	-
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 currently 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.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

24. Share-based payments (continued)

2. Save As You Earn ('SAYE') option schemes

SAYE 2019

On 13 February 2019, a SAYE scheme was introduced 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 the beginning of the period	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 have vesting periods of 3 and 5 years.

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 the beginning of the period	-	-	-	-
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).

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

24. Share-based payments (continued)

The options were valued using the Black Scholes option pricing model. The inputs to the Black Scholes model were as follows:

SAYE options at 31 July 2021:

Share price at the 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.

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.

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 in order to maximise 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.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

24. Share-based payments (continued)

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.

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 the beginning of the period	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 years). The options were valued using the Black Scholes option pricing model.

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 rate of 83 % for some employees and 80 % for others, a dividend yield rate of 4 % and volatility of 76.61 %.

The number of share 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.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

24. Share-based payments (continued)

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 the beginning of the period	-	-	-	-
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. The inputs to the Black Scholes model were as follows:

CSOP options at 31 July 2021:

Share price at the 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

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

24. Share-based payments (continued)

Top-up options at 31 July 2021:

Share price at the 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 the 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.

The total expense recognised for the year ended 31 July 2021, relating to PSP 2019 and PSP 2020 share-based payments, was £57,000 (2020 – £100,000) and £77,000 (2020 – n/a) respectively.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

25. Called up share capital

Issued, called up and fully paid

	2021		2020	
	No.	£'000	No.	£'000
Ordinary shares of £1 each	100	-	100	-
A Ordinary shares of £0.10 each	96	-	100	-
	196	-	200	-

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.

On 13 July 2021, the Company purchased 4 of its own A Ordinary shares at par and subsequently cancelled these shares.

26. 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.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

27. Commitments under operating leases

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

	2021 £'000	2020 £'000
Not later than 1 year	811	853
Later than 1 year and not later than 5 years	817	1,664
	1,628	2,517

28. 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 2021 amounted to £12,486,000 (2020 – £13,000).

29. Ultimate parent company

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.

30. Ultimate controlling party

The Company is controlled collectively by the holders of the ordinary shares of the parent company, and accordingly there is no ultimate controlling party.

31. Related party transactions

Transactions with related companies:

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Rent paid to Heron Mill Limited	285	285
Rent paid to Berbar Properties Limited	135	135

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

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2021

31. 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 the year. During the year, Directors purchased goods from the Company. The total for all Directors amounted to £1,445 (2020 – £476).