



WELCOME
TO THE

HOME OF BRANDS

UP GLOBAL SOURCING HOLDINGS PLC
ANNUAL REPORT & ACCOUNTS 2021

UP[®]
ULTIMATE
PRODUCTS

Revenue

£136.4 m

Underlying Profit Before Tax[^]:

£11.2 m

Net Debt/Underlying EBITDA Ratio[^]:

1.4 x

WELCOME TO THE HOME OF BRANDS.

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

FINANCIAL HIGHLIGHTS

- **Revenue:**
£136.4 m (FY 20 – £115.7 m, +17.9 %)
- ◊ **International revenue:**
: £43.5 m (FY 20 – £41.6 m, +4.4 %)
- ◊ **Online revenue: £16.7 m**
£20.6 m (FY 20 – £16.7 m, +23.2 %)
- **Underlying EBITDA[^]:**
£13.3 m (FY 20 – £10.4 m, +28.3 %)
- **Underlying EBITDA Margin[^]:**
9.7 % (FY 20 – 9.0 %, +70 bps)
- **Underlying Profit Before Tax[^]:**
£11.2 m (FY 20 – £8.2 m, +36.6 %)
- **Profit Before Tax:**
£9.5 m (FY 20 – £8.4 m, +13.7 %)
- **Net Debt:**
£18.9 m (FY 20 – £3.8 m)
- **Net Debt/Underlying EBITDA Ratio[^]:**
1.4 x (FY 20 – 0.4 x)
- **Bank Facility Headroom:**
£16.2 m (FY 20 – £21.3 m)
- **Underlying Earnings Per Share[^]:**
10.6 p (FY 20 – 7.9 p, +34.2 %)
- **Full Year Dividend Per Share:**
5.020 p (FY 20 – 3.955 p, +26.9 %)

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

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We are passionate about product.



Our purpose is to provide beautiful products for every home. With innovation and sustainability at the forefront, we design, develop and distribute quality branded houseware products for our customers.



When people ask us, **why Ultimate Products?**

STRATEGIC REPORT



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We say it's because **our brands sell.**



CHAIRMAN'S INTRODUCTION

I am pleased to introduce the Annual Report for FY 21, a year in which the business again demonstrated its resilience and adaptability against the extremely challenging background of the COVID-19 pandemic. During this difficult time, Ultimate Products has not only protected the business and its colleagues, but has also used it as an opportunity to drive growth, productivity and innovation. In addition, the Group has increased its long-standing support for the local communities in which it is proud to operate, targeting help at those who have been most disadvantaged by the crisis.

Strategy

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

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

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

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

Salter Acquisition

During July 2021, we completed the acquisition of Salter Brands Limited for a total consideration of £33.7 m, funded by a mix of debt and equity. 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.

While we expect that this acquisition will notably enhance earnings in FY 22, of even more significance is its strategic impact on the business. It substantially strengthens our brand portfolio and full ownership enables us to drive the growth of the Salter brand in a way that we could not have achieved previously when it was only licensed by the Group.

James McCarthy, Chairman

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

Board Changes

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

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

Environmental, Social and Governance

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

Performance

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

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

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

Dividends

The Board has an established dividend policy of distributing 50 % of the Group’s adjusted profit after tax. A final dividend is recommended of 3.33 p per share (FY 20 – 2.795 p) to give a total dividend of

5.02 p per share for the full year (FY 20 – 3.955 p), an increase of 26.9 %.

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

Summary

FY 21 was another year of unprecedented challenge in which the Group has once again responded exceptionally well to the various external factors imposed upon it. Whilst this response has been helped by our flexible business model and strong balance sheet, it would not have been possible without the remarkable response of colleagues to the challenge of these exceptional circumstances. To experience their creativity, innovation, passion, commitment, entrepreneurial spirit and sheer hard work has once more been an inspiration. On behalf of all our stakeholders, I sincerely thank them again for all of their efforts over the past year and indeed since the beginning of the COVID-19 crisis.

In addition to our long-standing strategy of developing and building our portfolio of brands, both in the UK and internationally, that focus on mass-market and value-led consumer goods for the home, the skill sets of our colleagues are a key competitive differentiator. The Board therefore remains confident in the Group’s long-term prospects.



James McCarthy
Chairman
1st Nov 2021





Simon Showman, CEO



CHIEF EXECUTIVE'S REVIEW

Operational Review

Salter acquisition

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

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

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

Acquisition Of Petra

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

The Group is in the process of relaunching and refreshing the Petra brand in time for the Spring/Summer 2022 season with a new range of kitchen electrical appliances. As the brand is well recognised in Germany, where it has a strong reputation for quality and design innovation, Ultimate Products will initially target this market.

“The Group is in the process of relaunching and refreshing the Petra brand in time for the Spring/Summer 2022 season with a new range of kitchen electrical appliances. As the brand is well recognised in Germany, where it has a strong reputation for quality and design innovation, Ultimate Products will initially target this market.”

In time, it is expected that Petra will be launched into other territories, trading on its German heritage and reputation for quality.

Supply Chain

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

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

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

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

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

Head office investment

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

Employee share participation

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

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

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

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



Brexit

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

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

Community

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

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

Our work in the community during the pandemic has developed into a wider programme of ongoing community and environmental initiatives which are set out in more detail in the Environmental, Social & Governance section of this Annual Report.

Trading for the year

Group revenue for the year increased by 17.9 % (£20.7 m) to £136.4 m (FY 20 – £115.7 m).

International

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

Supermarkets

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

Online platforms

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

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

Chief Executive's Review

Discounters

Sales to discounters increased by 15.3 % (£6.8 m) to £51.5 m (FY 20 – £44.7 m). This represented a significant acceleration in H2 FY 21 as (1) certain discounters, closed as non-essential stores during lockdown, reopened and started placing orders again and (2) others that remained open saw strong performance of our products in-store.

We expect to see the discount sector resume its long-term trend of growth and this represents a continued opportunity for Ultimate Products.

Operating margins

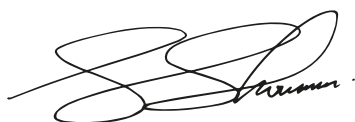
Gross margin decreased to 22.2 % (FY 20 – 23.0 %) as a result of the reduction in margin in H2 FY 21 caused by the increase in shipping costs (see above). Despite this, our underlying EBITDA¹ margin improved by 0.7 % to 9.7 % (FY 20 – 9.0 %), reflecting our relentless and ongoing focus on productivity within the business.

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

Current trading and outlook

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

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



Simon Showman
Chief Executive Officer
1st Nov 2021



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



BUSINESS MODEL AND STRATEGY

Our purpose, business model and operations

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

Ultimate Products is the owner, manager, designer and developer of an extensive range of value-focused consumer goods brands, focused on the home. Our wide range of original branded products create the opportunity for retailers to price our products competitively compared to their own-label equivalent. Our continued success stems from our unique capabilities:

- **We develop:** Spotting trends early, being innovative and developing new and existing products at pace is key.
- **We source:** Our innovative products derive from 16 countries with over 87 % coming from China.
- **We are branded:** Our portfolio of brands includes: Salter (kitchenware), Beldray (laundry, floorcare, heating and cooling), Intempo (audio), Kleeneze (laundry, floorcare), Petra (kitchen electrical) and Progress (kitchenware).
- **We market:** Using social media builds awareness of our products and brands.
- **We sell:** Wholesale selling to 300 + retailers with a growing online offer. Supply channels include bespoke forward orders as FOB or landed, along with a growing direct-from-stock option.
- **We invest in quality:** Both our UK and China offices have in-house teams of QA professionals. We are a member of SEDEX and audit our key suppliers to the ETI Code of Conduct.
- **We invest in our people:** We now employ 141 people who are either on or have completed our graduate schemes.
- **We invest in our systems:** We have developed systems and applications that can manage the complexity of supplying retail and online in a cost-effective and scalable manner.
- **We are low cost:** Keeping our costs down allows us to retail our products at competitive prices.

Operations:

- Established in 1997.
- We have offices and showrooms in Oldham, Greater Manchester and Guangzhou, China, as well as a showroom in Cologne, Germany.
- We employ over 300 people across the business.
- We have almost 400,000 sq. ft of warehousing in Oldham, Greater Manchester.

Our purpose, business model and operations are underpinned by our values

- We are passionate about product.
- We love our brands.
- We invest in our people.
- We go the extra mile for our customers.
- We care about our community.
- We always strive to do the right thing.

And our values help shape our culture, which is defined by:

- Commitment to success and growth.
- Clarity in the setting and communication of goals.
- A clear sense of purpose.
- Rapid advancement for colleagues and shared reward.
- Continuous improvement in everything that we do.
- Constant opportunities for personal development and new experiences.
- Respect and courtesy for others.
- Doing what we can to help our community.
- Embracing diversity.
- Strong teamwork, regular feedback and continuous engagement with colleagues.

Business strategy

Our strategy is to become the leading supplier of quality homeware products to an extensive range of customers in the global markets we serve. To achieve this, we will develop and own a portfolio of brands for mass-market, value-led consumer goods with our business managed around four key pillars for growth:

1. **International:** We are a global business, already selling into 37 countries worldwide and with 32 % of our revenues coming from international customers. Our product offer of branded general merchandise at mass-market prices is compelling for consumers in other territories, just as much as it is in the UK. We are targeting large international retailers, normally on an FOB basis, with a current focus on Europe and Germany in particular.
2. **Supermarkets:** We have long-standing trade relationships with all of the major UK supermarkets but, historically, our penetration has been relatively low. However, we believe that our branded products, competitively priced compared to the own-label equivalents, are very appealing to supermarket customers. We are able to provide supermarket retailers with the same retail margin as their own-label

equivalent, with a more attractive branded proposition for their customers and plan to increase our penetration of the UK supermarkets, along with developing relationships with international supermarkets, by demonstrating the effectiveness of our product offer in-store through increased LFL sales.

- 3. Online channels:** Online accounts for over 25 % of non-food retail sales in the UK. In FY 21, online channels accounted for 15.1 % (FY 20 – 14.5 %) of our sales. Clearly there is significant opportunity for further growth through platforms such as Amazon, and our objective is to grow this business to 30 % of revenue over the medium to long-term. In addition, we believe that there is further scope for growth via a roll-out across selected international platforms.
- 4. Discounters:** Branded products at mass-market prices are also attractive to discount shoppers and offer them a compelling proposition, where own-label products may not be an option. Discount is a fast-growing segment of the UK and European retail market for general merchandise. Our strategy is to increase listings with existing discount customers, benefit from their store expansion plans and open new European accounts in this sector.

Our priorities when pursuing our strategy are:

1. To generate **REPEAT** business and through this deliver increased revenue and lower operating costs.
2. To have a **UNIQUE** product offer achieved through innovation and a focus on our brands.
3. To have best in class **EXECUTION** in everything that we do.
4. To be **FOCUSED** on our four key market growth pillars.
5. To exercise strong **FINANCIAL MANAGEMENT** in management of operating costs, cash and risk.

Key performance indicators

The Board monitors the development of the measures below as high-level indicators of performance.

Measure	Description	Performance
Revenue and Revenue Growth	The revenue in the period and the increase relative to the prior period.	£136.4 m (+17.9 %)
Sales per Head	Revenue for the period divided by the average number of permanent employees and temporary agency staff in the period.	£415.2 k (+12.9 %)
Gross Margin Percentage	Gross profit for the period divided by revenue for the period.	22.2 % (-80 bps)
Underlying EBITDA [^]	Profit before interest, tax, depreciation and amortisation, excluding charges for share-based payments and other non-underlying charges.	£13.3 m (+28.3 %)
Underlying EBITDA Margin [^]	Underlying EBITDA for the period divided by revenue for the period.	9.7 % (+70 bps)
Underlying Profit Before Tax [^]	Profit before tax excluding charges for share-based payments and other non-underlying charges.	£11.2 m (+36.6 %)
Net Debt/Underlying EBITDA [^] Ratio	Net debt at the end of the period divided by underlying EBITDA for the period.	1.4 x (FY 20 – 0.4 x)
On Time Delivery Percentage	Number of orders from retailers delivered on time in the period divided by the total number of orders delivered to retailers in the period.	98.5 % (FY 20 – 98.8 %)

[^] Items marked are non-GAAP measures. Definitions and relevant reconciliations are provided in the 'Glossary' section.



FINANCIAL REVIEW

Overview

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



Graham Screawn, Chief Financial Officer



“Given the unprecedented challenges faced in the year, we are very pleased with performance and the resulting growth in revenue and profitability reported for FY 21.”

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

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

COVID-19

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

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

Revenue

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



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

Brands

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

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

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

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

Acquisition of Salter

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

The acquisition followed an initial assessment of the investment opportunity by the Board which concluded that the acquisition was likely to enhance earnings and, at the same time, would substantially remove one of the Group's reported key risks, the licensing renewal risk for the existing Salter business with revenue of approaching £30 m (see Principal Risks and Uncertainties 'Brands' on page 23), enabling the Group to drive the growth of the brand in a way that could not have been done when it was licensed. Having considered and discussed the matter in depth, the Board authorised the Company to enter into a period of exclusivity to carry out thorough commercial, financial and operational due diligence and to engage an extensive team of trusted advisers to support and further challenge the process. During this period, the Board were regularly informed of progress and consulted with updates in the monthly Board meetings and the mid-month Board conference calls, along with further ad hoc discussions and correspondence.

Financial Review

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

A summary of the fair value of the consideration and of the net liabilities acquired are set out below, with further details of the acquisition provided in note 18 to the Financial Statements.

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

Margins

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

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





Overheads

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

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

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

Share-based payment charges and other non-underlying items

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

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

Further information on the share option schemes and the charges thereon are set out in note 28 to the Financial Statements.

Interest

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

Taxation

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

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

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

Balance sheet and cash flow

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

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

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

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

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

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

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

Cash flow and bank debt

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

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



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

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

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

	FY 21 £'m	FY 20 £'m
Bank borrowings excluding unamortised debt issue costs (note 24)	19.0	4.1
Cash and cash equivalents (note 22)	(0.1)	(0.3)
Net bank debt	18.9	3.8

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

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

Financing and going concern

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

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

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

Brexit

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

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







Graham Screawn
Chief Financial Officer
1 November 2021

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness, supported by the Audit and Risk Committee. We review our business regularly to identify and document key business risks. Once identified, risks are assessed according to the likelihood and impact of the risk occurring and an appropriate mitigating response is determined. This risk mitigation plan is then regularly monitored by the Audit and Risk Committee with periodic review and discussion by the Board as a whole.

The table below sets out the Group's principal risks as determined by the Board, the gross risk movement from the prior year and the corresponding mitigating actions. This represents the Group's current risk profile and is not intended to be an exhaustive list of all risk and uncertainties that may arise.

Key to Risk Movement

	 No change	 Increased	 Decreased	 NR New Risk	
Area	Risk			Mitigation	Movement
Macroeconomic factors	Macroeconomic trends affecting consumer confidence and reducing non-food spending (including, but not limited to, inflationary pressures, higher taxation, rising energy prices and potential higher interest rates) could affect retail demand. Furthermore, an increase in food prices could similarly reduce non-food spending with consumers prioritising food expenditure.			<p>The Group's international business provides economic diversity and some protection against a downturn in the UK economy.</p> <p>Despite the challenging market conditions, the Group sees the opportunity to increase its market share by developing new customer relationships, particularly internationally via its German showroom and international sales team, and by continued domestic and export growth in online channels.</p> <p>The Group's products, being mass-market and value-led, are well placed in the event of an economic downturn.</p>	
COVID-19	<p>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.</p> <p>A resurgence in the virus could lead to the closure of factories, restricting the supply of goods available. A return to stricter COVID measures could also exacerbate or prolong the current shipping issues experienced globally (discussed below).</p> <p>Demand could suffer disruption if non-essential retail stores are forced to close in a future lockdown scenario.</p> <p>Operations could be impacted by employee absenteeism and travel restrictions as a result of the virus.</p> <p>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.</p>			<p>The health and well-being of our colleagues continues to be the Group's first priority. The Group continues to implement strict safety protocols at its sites to safeguard colleagues. "COVID-19 Safety" is referred to further in the ESG report on page 40.</p> <p>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.</p> <p>Demand for the Group'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.</p> <p>The Group's UK buying team remain in close contact with the team in China, who can continue factory visits and maintain a focus on innovation.</p> <p>The Group'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.</p> <p>The Board 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.</p>	



Area	Risk	Mitigation	Movement
Margin pressure	A tough retail environment, increased shipping and road haulage costs (discussed below) and the impact of weakened Sterling could put pressure on gross margin.	<p>The Group's strategy of international growth, expansion of online channels and increased penetration of supermarkets continues to provide greater diversity and a balanced-margin portfolio.</p> <p>The Group also employs a combination of margin-enhancing initiatives including monitoring profitability of individual product lines, continued product innovation and refreshing product ranges, balanced against the need to ensure that our products remain competitive.</p> <p>Furthermore, the Group seeks to constantly develop and implement productivity improvements.</p>	↑
Customer concentration	<p>A significant proportion of the Group's turnover is derived from a small number of customers. Loss of a key customer could have an adverse impact on the Group's turnover and operating profit.</p> <p>A decline in traditional high-street shopping in favour of online shopping, a trend accelerated by the pandemic, could impact the Group's sales and operating profits.</p>	<p>The Group continues to develop relationships with other existing customers and target new customers, particularly internationally, in order to widen its portfolio and spread risk. In addition, in-store penetration of the Group's brands and products offers some commercial protection against customer loss.</p> <p>The Group continues to focus on its online channels and efficient development of the systems and processes thereof in order to benefit from further diversification from traditional bricks and mortar retailers.</p>	↓
Loss of continuity of supply of goods for resale	<p>A major loss of continuity in the supply of goods for resale could adversely affect the Group's revenue and operating profit.</p> <p>Heavy reliance on China as a source of products. Any deterioration in, or changes to political, economic or social conditions in China could disrupt the supply of goods or result in higher product cost prices.</p> <p>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.</p>	<p>The Group maintains close relationships with its suppliers through regular factory visits and interaction with its local teams. Wherever possible, multiple sources of supply are sourced for major products.</p> <p>The Group closely monitors developments in China and continues to consider and use alternative sources when practicable and viable. COVID-19's potential impact on the supply of goods for resale is referred to above.</p> <p>The Group 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.</p>	↑
Retention of competitive advantage through innovation	Failure to develop and enhance our product range and ensure that products continue to have resonance with consumers, or lack of awareness of trends and changes in consumer behaviour, could result in loss of our competitive advantage, which could impact on the Group's turnover and margins.	A high level of new product development focus is maintained and monitored by the Board. UK and Chinese buying teams and senior management attend trade shows and carry out store and factory visits to ensure that they are in touch with the latest consumer demands and trends.	↓

Principal Risks and Uncertainties

Area	Risk	Mitigation	Movement
Brands	<p>Failure to renew or delays in renewing licenses for key brands could impact turnover.</p> <p>Failure to develop or acquire new brands could restrict growth, given the Group's brand-led strategy.</p>	<p>The risk arising from the non-renewal of licenses has reduced significantly as a result of the Group's acquisition of the Salter brand. FY 21 sales under other licenses amounted to 12.7 %. The risk in relation to these other licenses is mitigated by maintaining strong revenues to and good working relationships with licensors. Licenses are negotiated for as long as possible and as early as possible, in order to provide greater certainty around future revenues.</p> <p>The Group continues to develop a 'second tier' of brands and monitors opportunities to acquire new brands.</p>	↓
Integration risk	The Group may experience difficulties in integrating the acquired Salter business and may not realise, or it might take longer than expected to realise, certain or all of the anticipated benefits of the acquisition.	A thorough and detailed integration plan was developed during the due diligence process and is being executed by the Group under the control of Executive Directors and Senior Management. The Board are receiving and discussing regular updates on the progress of the acquired business and will continue to monitor its performance.	NR
Stock management	<p>As the share of landed sales increases due to online growth and increased sales from stock, the Group may experience upward pressure on stock levels. Inefficient stock management could result in overstocking, which may adversely affect working capital.</p> <p>Conversely, understocking, particularly in light of the current challenges posed by the reduction in global shipping capacity (discussed above), could limit the Group's ability to take advantage of these opportunities.</p>	<p>Stock levels and purchasing are closely managed, with all purchase orders being reviewed by senior management before being placed. The Group's 'Critical Path' system facilitates close management of the completion and timing of purchase orders placed.</p> <p>Stock is categorised between 'free' and (pre) 'sold' to ensure that management focus on higher risk items. 'Free' stock is reviewed at Director level and prompt actions are taken where necessary.</p>	↑
Legal and regulatory	Failure to comply with legal and regulatory requirements, including environmental and climate change developments, both in the UK and in other countries in which the Group operates, could result in fines or adverse impact on the Group's reputation.	<p>The Board monitors the changing landscape of laws and regulations. New legal and regulatory requirements are discussed by the Audit and Risk Committee whose members contribute insight and experience of such matters. External technical and consulting expertise is sought when required.</p> <p>The Group has procedures for ensuring ongoing compliance with legal obligations, including external annual audits, and runs a programme of new-starter/ refresher annual training.</p> <p>The Group has established a Board level ESG Committee whose purpose will be to provide strategic direction to our ESG efforts. See ESG report on pages 26 to 40.</p>	↔
Human resources	Failure to attract and retain high-quality individuals, both in the UK and internationally, could impact on the delivery of the Group's strategy.	<p>The Group's Graduate Development Scheme, along with links to local universities, provides a steady inflow of high-quality staff to support the future growth of the Group, whilst the Group's Senior Management Development Programme and its Introduction to Leadership course aim to create a succession of employees into senior roles.</p> <p>A number of steps are taken to encourage the retention of the employees, including the SAYE and PSP share ownership schemes to incentivise its workforce and to further improve retention.</p>	↔
Cyber security	Risk of cyber crime with the potential to cause operational disruption, loss or theft of information, inability to operate effectively, loss of online sales or reputational damage.	<p>The Group continues to review and invest, where appropriate, in the development and maintenance of our IT infrastructure, systems and security. An external IT security audit is carried out on an annual basis to ensure that any weaknesses in our systems are identified and can be rectified.</p> <p>New employees receive IT training to increase awareness of cyber risk.</p> <p>Disaster recovery, business continuity and crisis communication plans are maintained.</p>	↔



Area	Risk	Mitigation	Movement
Financial risks	<p>The Group's operations expose it to a variety of financial risks that include the following:</p> <ul style="list-style-type: none"> price risk foreign currency risk credit risk liquidity risk interest rate cash flow risk 	<p>The Group 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.</p> <p>The Group's exposure to foreign currency risk is partially hedged by virtue of invoicing a proportion of its turnover in US Dollars. In addition, the Group maintains a hedging policy and uses foreign exchange forward contracts to reduce the risk of volatility in revenue and cost of goods.</p> <p>The Group's sales are primarily made with credit terms, exposing it to the risk of non-payment from customers. The Group has implemented policies that require credit checks on potential customers and the maintenance of appropriate credit limits. The Group maintains a high level of credit insurance on its trade receivables, averaging in excess of 98 % insured over FY 21 with the uninsured accounts closely monitored. Trade receivable balances are vigilantly managed and prompt action taken on overdue accounts.</p> <p>Cash flow requirements are monitored by short and long-term forecasts, with headroom against facility limits and banking covenants assessed regularly.</p> <p>The Group's interest-bearing liabilities expose it to the financial risks of changes in interest rates. The Group has a policy of maintaining a portion of its banking facilities under the protection of interest rate swaps and caps to ensure the certainty of future interest cash flows.</p>	↔



Principal Risks and Uncertainties

VIABILITY STATEMENT

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Directors have assessed the viability of the Group over a three-year period to July 2024, taking account of the Group's current position and the Group's principal risks, as detailed in the Strategic Report. Based upon this assessment, and the assumption of the banking facilities continuing as referred to below, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to July 2024.

In making this statement, the Directors have considered the resilience of the Group in severe but plausible scenarios, taking account of its current position and prospects, the principal risks facing the business, how these are managed and the impact that they would have on the forecast financial position. In assessing whether the Group could withstand such negative impacts, the Board has considered cash flow, impact on debt covenants and headroom against its current borrowing facilities over the three-year period. In such a scenario, any return to shareholders would be reduced.

In October 2019, the Group refinanced its bank facilities with HSBC, comprising a £8.2 m revolving credit facility, a £23.5 m invoice discounting facility (both of which run until 2024) and, ancillary to the revolving credit facility is a £8.7 m import loan facility, which is repayable on demand and subject to annual renewal. Furthermore, in July 2021 a £10 m amortising term loan was advanced by HSBC to contribute finance towards the acquisition of the Salter Brand and the associated scales business. The term loan facility also runs to October 2024. The Directors believe that, in the ordinary course of business, the import loan facility will continue throughout the period to 31 July 2024 and this has been assumed in making the statement.

The following three principal risks were selected for enhanced stress testing:

- macroeconomic factors: the impact of a significant economic downturn and reduced consumer spending arising out of matters including, but not limited to, inflationary pressures, higher taxation, rising energy prices and potential higher interest rates along with, the impact from a further extensive and prolonged lockdown due to COVID-19 (as noted below), in a similar nature to that experienced in the initial lockdown in 2020 with the Group's distribution facilities remaining open;

- China sourcing: in particular a severe restriction in product supply levels due to potential power outages and significantly reduced shipping capacity; and
- margin dilution: including an even greater increase in shipping and road haulage costs as a result of reduced capacity.

The prolonged COVID-19 lockdown assumption is that it would last for six months, with revenue over that period being less than 70 % of the levels realised over the same period in the previous financial year, increased by a cautious assumption for additional revenue arising from the Salter acquisition.

The reduction assumed is substantially greater than that experienced in the lockdown over March to May of 2020.

The adverse impacts of the stress testing were reflected as reductions in revenue and gross margin. In the situations reviewed, the business remained robust, with sufficient funding and headroom and compliance with key covenants (including those relating to the new amortising term loan), and able to remain in operation over the period reviewed. The Board considers that the Group's long-term relationships with many of its customers and suppliers, its increased diversification through new customer relationships and international focus, and its value-led branded consumer goods strategy offer the Group protection from and the necessary resilience to withstand such severe scenarios materialising.

The Board selected the period of three years to 31 July 2024 as an appropriate period for the Group's Viability Statement, as management currently use three-year forecasts as part of the business planning process and 31 July 2024 is the final quarterly covenant test of the current banking facilities which expire in October 2024. The Board expects that the appropriate banking facilities will be renewed, on normal commercial terms, in advance of the expiry of the current facilities.





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT AND NON-FINANCIAL KPIs

For over 20 years we have been providing ‘beautiful products for every home’ and in doing so, striving to do the right thing in how we conduct ourselves and our business.

We have always recognised the importance of maintaining the highest standards of corporate behaviour and setting the right example for others to follow. We are also very proud of our efforts so far in supporting our community, our people and providing opportunities to those who may not always be given them.

But as an ever-evolving business, our mindset, decisions and approach

must continually adapt to ensure we continue to play a greater part in addressing the key issues facing society that also relate to our business, such as tackling climate change, gender equality and responsible consumption. The business has already aligned its core values (detailed on page 12 of the Annual Report) to our corporate behaviour and, in doing so, we have already taken many positive steps

within our wider ESG agenda.

The business is now working on building stronger foundations to ensure ESG is at the heart of everything we do, using our corporate values and the UN 17 Sustainable Development Goals (‘SDG’) as our guide on formulating a longer-term strategic plan for ESG in the coming years.

While there will be actions we take which contribute both directly and indirectly to many of the SDG, we have focused our approach on where we believe we can make most direct positive impact. These are:



Good health and well-being

Help to ensure healthy lives and promote well-being for our people and local communities.



Responsible consumption and production

Ensure sustainable consumption by doing more and better with less.



Decent work and economic growth

Supporting our local economy and communities to drive better sustainability with jobs and other opportunities.



Climate action

Take urgent action to combat climate change and reduce negative impacts.



Reduced inequalities

Help reduce inequality in all forms and promote gender, ethnicity and fair pay and working/living conditions.

As our business evolves, we will continually review our approach to ensure we continue to offer the most direct positive impact to these goals and adapt where appropriate.

Building Our ESG Foundation

This year has seen significant steps in our roadmap for ESG that are helping to build the foundations to influence future strategic decision making across all areas of our business and wider supply chain.

Ultimately, the main Board of Directors carries the greatest responsibility for our ESG agenda and managing our material risks. However, we continue to drive greater inclusion of our stakeholders (being our suppliers, employees, investors, customers and supply chain partners), using our key employee teams, groups and committees to assess our material risk areas, consult with and develop new ideas with ESG in mind. This engagement has helped align our current ESG work and establish a series of key focus areas and KPIs, as set out below, to focus our immediate efforts on, with many more long-term aims and targets being considered for implementation in 2022.

This year has also seen the formation of a specific ESG Committee, chaired by Jill Easterbrook and comprising of a mix of Executive and Non-Executive Directors whose purpose will be to provide strategic direction to our ESG efforts, challenge the business on setting further KPIs and monitor our ongoing performance.






It is also the intention to have wider stakeholder engagement in the coming years through the use of external ESG advisors, working with our key retail customers and supply chain partners to align our ESG agenda and continual engagement with our existing internal employee committees, including our Employee Consultation Group, Modern Slavery Committee and Environmental Committee.

We have identified a need to increase our environmental efforts as a matter of priority, using our Senior Management team and our Environmental Committee as the main drivers of change. As such, the committee have realigned their aims into a four-part approach of Remove, Replace, Reduce or Rebalance ('4 Rs') with our key focus areas being covered within each of these pillars and more information on their progress detailed later in this report.

We continue to use our corporate LinkedIn profile as the centralised location for chronicling our ongoing efforts. This ensures our global colleague base and partners can keep track of the many contributions we are making.

Non-Financial KPIs

In support of our responsibility commitments, we measure a range of non-financial KPIs as set out in the table below. However, over the next year the Main Board and ESG Committee will be formalising our ESG strategic direction further, including more long-term targets and KPIs to this current list as we gain access to more accurate data monitoring methods.

		Key ESG Focus Areas	Current KPIs	Additional long-term goals being considered
Group Value	WE INVEST IN OUR PEOPLE	<ul style="list-style-type: none"> Employee engagement Employee well-being Training and development People productivity 	<ul style="list-style-type: none"> Great place to work score on our people survey – 85 % Employee engagement on our people survey – 80 % 	<ul style="list-style-type: none"> 50 hours training time per person per year People productivity KPIs Investors in people accreditation
United Nation Goal				
Group Value	WE CARE ABOUT THE ENVIRONMENT	<ul style="list-style-type: none"> Carbon reduction Product quality and life cycle Packaging and waste management 	<ul style="list-style-type: none"> Faulty product returns 2 % or less 	<ul style="list-style-type: none"> Carbon-neutral within our operations and supply chain Reduction in packaging Grade A energy rated UK sites
United Nation Goal	 			
Group Value	WE CARE ABOUT OUR COMMUNITY	<ul style="list-style-type: none"> Providing local job opportunities Supporting young people and those that need it Supporting local business 	<ul style="list-style-type: none"> UK recruit local KPI – 60 % 	
United Nation Goal				
Group Value	WE STRIVE TO DO THE RIGHT THING	<ul style="list-style-type: none"> Ethics Diversity and fair pay Employee health and safety Women in leadership 	<ul style="list-style-type: none"> Factories audited 100 % Modern slavery or bribery reports – 0 Work-related accidents – 0 Women in leadership roles – 50 % 	<ul style="list-style-type: none"> Median gender pay balanced Introduction of annual people diversity training Women in leadership roles – 50 %
United Nation Goal				



Our progress so far against our current KPIs:

Employee engagement -	Great place to work -	Women in leadership roles -	Accident rate -
80 %	85 %	50 %	0
2021 91.0 %	2021 86.0 %	2021 31.7 %	2021 0
2020 83.0 %	2020 82.0 %		2020 0
Recruit local -	Faulty product returns -	Factories ethically audited -	Slavery and corruption reports -
60 %	2 %	85 %	0
2021 49.4 %	2021 2.0 %	2021 94.5 %	2021 0
2020 47.4 %	2020 2.0 %	2020 91.8 %	2020 0

Non-Financial Information Statement

The information presented throughout this report provides the required content on key subjects covering environmental matters, our people, community and social matters, as well as setting out non-financial metrics.

The report also complies with relevant Streamlined Energy and Carbon Reporting ('SECR') requirements and any other mandatory reporting regulations.

Our statement in relation to Modern Slavery can be found on the Group website, www.upgs.com.

The business also has a series of people-related policies to ensure our business is acting ethically and professionally at all times, which are featured on page 38 of this report. These clearly set out the responsibilities of those working for the company and expectations on how to conduct themselves when acting on the company's behalf.

These policies are clearly communicated to our workforce through our employee literature and annual training is completed on subjects including Anti-Bribery, Corruption, Insider Trading, Modern Slavery, GDPR and Health and Safety.

Each policy clearly explains communication and escalation routes for our stakeholders, including the use of an external, confidential Whistleblowing hotline, which is communicated to our people and suppliers on a continued basis.

As noted on page 54, the Audit and Risk Committee has reviewed the appropriateness of the Group's anti-bribery and whistleblowing procedures.

Our Corporate Governance report on pages 47 to 52 provides information in relation to our Corporate Governance framework. Our business risks are described within Principal Risks and Uncertainties on pages 21 to 24.



WE INVEST IN OUR PEOPLE

Whether recruiting new 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. We pride ourselves on being a talent business, where colleagues can learn, develop, actively contribute to a dynamic corporate environment and help positively shape the outlook of our global business.

Our people are a key driver to our success and we are proud of creating an environment that enables our colleagues to collaborate, innovate and positively evolve the way we work productively as a wider business. Continuous improvement and individual development are ingrained in our business culture, creating an ever-evolving business that adapts with growth and the new challenges it faces.

Our company wide 'Why Are We Doing It This Way?' initiative continues to successfully provide an opportunity for any colleague to escalate procedural productivity issues or improvements directly to Operating Board members for immediate review and resolutions created by our Process Development and Productivity Team.

People engagement survey – giving all a voice

Empowering our people to have a voice and share their views is integral to the development of the business. Our people are passionate about what we do and how we do it, so listening and implementing positive change is crucial to our development.

Our annual People Engagement Survey led by the Employee Consultation Group (ECG) 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.

In 2020 we listened and will continue to do so

During analysis of our 2020 survey, a series of key themes were identified from suggestions made by our colleagues. These have been successfully implemented and are outlined in the sections below.

Mental Health Committee

This year has seen unprecedented issues within society in relation to mental health and general well-being, as the global pandemic took hold of people's lives and created new challenges never seen before.

Our 2020 survey highlighted a need to take internal action; to protect our people with suitable support and initiatives with their mental health and well-being in mind. In early 2021 an internal Mental Health Committee

was formed, comprising of 6 employees, with a series of key aims in mind:

- To gather insight into the mental health and well-being needs of our people across the global business and adapt our approach accordingly;
- To provide necessary training and support to managers and those that need it; and
- To strive to improve conversation, knowledge and support of mental health and well-being within the wider company.

The committee have already made some excellent progress and there are plenty of other great ideas in the pipeline, including:

- Partnering with a local fitness provider to offer free exercise and well-being classes for all employees during lockdown when gym facilities were closed;
- Enhancing our current Employee Assistance Programme ('EAP') through using a new provider that offers a significant increase in services and support, specifically relating to mental health, well-being and on a global scale;
- Offering free life coach and nutrition guest speakers, as well as exercise and well-being classes at our head office; and
- The implementation of annual training for all leaders in relation to mental health and well-being support.

The health and well-being of our people will continue to be a focus area for the business and, as such, we will look to include this within our ongoing ESG strategy and future non-financial KPIs in the coming years.

2021 results

This year the survey had a 91 % employee participation rate, with contributions from all of our sites in Europe and the Far East, an increase of 8 % from 2020. We are pleased to see such excellent participation rates in what has been a challenging period and feel confident that we are receiving productive feedback from all areas of our business.



Improved workspace at head office – £1.6 m investment

September 2021 saw the opening of a new state-of-the-art office environment at the UK head office, immediately improving working conditions and providing new facilities specifically requested by our teams within the People Engagement Survey. This includes 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. The new office space also has increased space and headcount capacity, future-proofing our head office site as the business continues its expansion plans and the team headcount increases.



The survey provided some very encouraging feedback, affirming that the business is making good progress with its aim of attracting and retaining talented individuals and providing a gold standard working environment. This year 86 % of our people, an increase of 4 % from the previous year, answered that they would recommend the business as a great place to work, exceeding our KPI target.

We also have a long-term aspiration to achieve Investors in People accreditation in the coming years.



The Barry Franks Training Theatre

Investing in our talent – training and development

Our goal is to invest in our talented colleagues in order to add value and promote successful career progression. If our people are collectively successful within their roles, their output and productivity positively contribute to the success of the business.

We provide a variety of training opportunities,

as we recognise that different people learn in different ways, and that knowledge, skills and experience can be enhanced through different approaches.

Even more training opportunities

Our 2020 survey highlighted a need to increase our internal best practice training within our teams and offer greater support to our current training champions. In order to achieve this, we have now employed a full-time Training Manager, whose sole purpose is to provide more internal training opportunities on a continued basis, covering topics identified to enhance skills, productivity and confidence.

Our Training Manager has already introduced best practice training sessions around advanced Microsoft Excel, our SAGE 1000 system, problem-solving and case study/scenario-based sessions. In 2022, we intend to use increased digital platforms to create more productive training solutions for our standard training modules, creating more time to focus on skill enhancement subjects.

In addition to adding more training resource, we have significantly improved our training facilities, with a new state-of-the-art training theatre at our head office and wider

access to external online and virtual training providers, such as LinkedIn Learning.

It is our aspiration to ensure that we are offering every colleague an average of 50 hours of dedicated development training, per person, per annum, in the coming years to maximise people productivity and personal development opportunities for our team.

Mentoring programme update

The mentoring programme, launched in 2020 to create a level of consistency in our new joiner mentoring and help equip our mentors with key skills and confidence, continues to offer real value to the business.

The programme has increased to 36 UK enrolled mentors on a development programme covering key topics including, but not limited to, handling difficult conversations, conducting appraisals, providing feedback and supporting colleagues working from home. This year also saw guest speakers cover topics including effective time management and building and maintaining team morale.

We plan to implement a similar programme for our Far East and Distribution Centre teams next year.

People productivity is key

It is our belief that a productive workforce is a happy and effective workforce. Our aim is to ensure that all of our operational processes are optimal in terms of accuracy and productivity, and that colleagues are effectively trained on these in best practice.

Our operation is complex due to the variety of products, customers, suppliers, markets and countries that we operate within and we must identify systems and processes that simplify our methods to enable our team to operate effectively.

To aid this the company has its own internal Process Development and Productivity Team, whose sole purpose is to engage with our people, listen, identify procedural improvements and provide solutions using bespoke technological solutions to aid productivity and accuracy. Our 'Why Are We Doing It This Way' initiative also feeds into this area for assessment.

This team, comprising of 7 employees with ranging software development and coding skills, engages with the global workforce and senior management on a weekly basis to discuss and implement productivity solutions across the wider operations. The team has implemented a multitude of effective solutions since its commencement and continues to offer real value on our service levels. Recent successes include:

“It is our belief that a productive workforce is a happy and effective workforce. Our aim is to ensure that all of our operational processes are optimal in terms of accuracy and productivity and that colleagues are effectively trained on these in best practice.”



WE CARE ABOUT THE ENVIRONMENT

- A bespoke warehouse management system that has increased the productivity speeds of our Distribution Centre Packers to achieve average packing speeds of 2 minutes per individual order (as at 31st July 2021);
- Complete integration of our preferred logistic and courier partners, enabling one central platform to be used to manage all of our ecommerce delivery needs;
- The integration of multiple retail customer order processes into our own ERP system, enabling multiple complex customer requirements to be managed through one simple, centralised system; and
- The use of Microsoft Power BI to revolutionise our reporting abilities within our commercial and supply chain teams, to enable real-time data to be readily available, aiding our ability to analyse performance and respond immediately to issues.

Currently, we have internal KPIs to measure our people productivity performance that is reviewed at main board level each month. It is our intention to report on these areas more externally, starting in next year's Annual Report as a key non-financial KPIs.

We recognise that the environment and its natural resource 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.

It is the responsibility of our Senior Management Team to identify opportunities to improve our sustainability and implement any key actions set by the Board. Our Environmental Committee, made up of employees across our entire operation, are also used as an 'ideas generator', where they are constantly reviewing our operations and external trends and seeking out solutions that the Board can consider for implementation.

The committee have also commenced sustainability awareness training sessions this year with our colleagues and new joiners, with the aim of this becoming an annual and ongoing process from 2022.

This year, we have been accredited to the Environmental Standard ISO14001 and this helps set a framework against which we can effectively monitor our environmental procedures and performance throughout our teams and global operation.



We take our role in this area very seriously and have been constantly assessing our environmental impact and identifying solutions that match our new four Rs approach to environmental sustainability. The four Rs comprise of:

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



GREEN IS THE NEW BLACK

Here follows an update of the environmental actions the company has completed in the past year to address our focus areas under the four-pillar approach:

Remove

We have removed the use of single-use plastic water drinking items from our UK head office site for our teams and visitors. Instead, we are now using environmentally-friendly materials and have increased our filtered water dispensing machines to compensate.

Our buying teams have been working with our suppliers on removing all unnecessary packaging materials within our product portfolios. Already, good progress has been made in removing single-use plastics and polystyrene from product inner packaging within our two biggest divisions, Housewares and Electrical, with other departments now following suit.

Replace

Many of our sites are currently powered by either LED or sensor energy-saving lighting. This includes our UK head office site and main distribution centre also located in the UK. We have since introduced LED lighting within our Cologne office and our Guangzhou showroom. It is our

intention to continue looking at ways to replace existing energy consumption electrical and heat-based systems with more environmentally-friendly solutions, including the possible use of solar panels.

The overall aim is for our two UK sites to be categorised as Grade A (currently Grade B) for energy efficiency in the coming years.

The buying and distribution centre teams have also been switching out the use of non-recyclable inner carton packaging items with more sustainable solutions. Including the reduction of single-use plastics and bubble wrap by replacing with recyclable paper and card.

The Environmental Committee is also exploring cycle to work schemes and electric vehicles to replace or reduce our employee vehicle use on UK roads.

Reduce

Reducing our environmental impact has been one of our biggest focus areas, as it is one that we can make the most significant difference in. Our wider teams have embraced this idea and have been looking for reduction opportunities within our operation. Current successes are outlined below.

Pallet utilisation and container fills

Our buying and supply chain teams have been using new software, that maximises the ability to fill shipping containers cubic meters ('CBM'), 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 internal CBM targets across our usual container sizes and have seen positive progress in increasing our CBM per container.

As at 31.07.19 and 31.07.21

40ft Container (CBM)	2019	2021	Total saving 2021	Total 40ft Containers saved
	55.9	56.6	407.04 CBM	8

As you can see from the table above, even a modest change to the container CBM can have a material impact on the amount of containers being used. This same software also optimizes the storage of cartons on pallets both maximizing space in our distribution centres and optimising palletized deliveries to our customers, reducing HGV lorry use on our roads.

Paper-reduced sites

Historically, our operation has been a 'paper-hungry' business with many of our processes, both in our offices and warehouses, requiring colleagues to print documentation in order to scan, review, use or send.

However, our Process Development and Productivity Team have identified multiple solutions with a 'paper-reduced' focus, with the lockdown and increase in working from home turbocharging their implementation.

Solutions include:

- Significant capital expenditure investment in providing all office workers with two computer screens both in the office and at home. This enables the reviewing of data, reports and comparing documentation without the need to print a copy;
- Introducing digital signature software within our HR and supply chain procedures, ensuring all contractual documentation can be signed and sent digitally;
- A new warehouse management system, enabling workers to scan product barcodes to finalise order labelling and stock picking, rather than printing multiple pick notes and order reports; and
- Installing software that enables the scanning, reviewing and saving of all invoicing, purchase order and sales order documentation without the need to print hard copies.

A paper-reduced working environment also has a positive knock-on effect to other areas of the business, including reduced printing/toner costs and a reduction in paper waste.

Rebalance

After taking action to reduce or remove, inevitably an operation such as ours will have aspects that unfortunately cannot be adapted to become more environmentally sustainable once options have been exhausted, especially as our business continues to grow and expand.

We have identified that our carbon footprint and the use of packaging for our product portfolios are two areas of concern and we have therefore found opportunities to 'rebalance' our impact with positive solutions that are in keeping with our core values and SDG focus.

Our sustainability partner –

Ecologi

Our Environmental Committee 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.

Ecologi (www.ecologi.com) is an eco-partnership platform allowing businesses to offset their carbon footprint by funding gold standard accredited climate projects around the globe. The business also captures and certifies your funding and investment to create total transparency.

The two main focus areas we are working on with Ecologi currently are:

Plant a tree

As a business we recognise that our product portfolios consume significant amounts of cardboard and paper within our packaging, especially as we are now delivering products globally. To offset our cardboard and paper usage, we have introduced a commercial initiative that means when certain products from our

ranges are purchased by consumers, the business will plant a tree on behalf of the consumer, through one of Ecologi's global schemes.

We have now rolled out the Plant a Tree initiative across our biggest brands and product divisions, including housewares and electrical. As such, we have already planted 10,408 trees and will continue to do so in the coming years.

Carbon offset

Accredited carbon offset schemes allow businesses such as ours to invest and help fund initiatives that have a focus on developing new eco-friendly and/or renewable energy technology solutions to support future environmental sustainability.

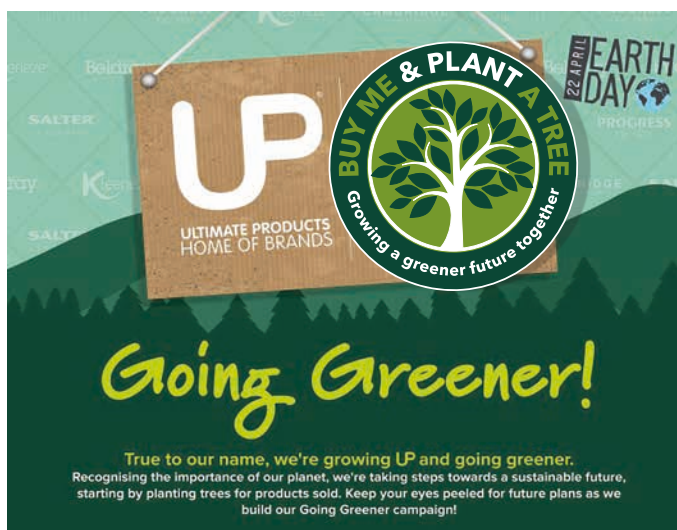
At the beginning of 2021, with the help of Ecologi and our supply chain partners, we were able to start collating data on our CO₂ consumption within our wider supply chain (Scope 3) operation. With accurate data, we can start to offset this carbon use by investing in eco-based schemes offered by Ecologi.

With this new development in data capture, the business can now begin to set long-term goals on how to reduce, remove and rebalance our carbon footprint, with the aim of becoming carbon-neutral in the coming years. However, we are already in a position to make the following pledges:

Through remove, reduce and rebalance, we pledge to neutralise the carbon footprint:

- created by our UK operations by 2030;
- created by our shipping of goods by 2030; and
- created by our operations delivering orders to customers by 2040.

As we are given more access to information from our suppliers and supply chain partners it will enable us to assess further what more we can do, including the CO₂ impact of our factory and wider manufacturing base (Scope 3) to determine how we can work towards achieving net zero in the future.





PRODUCT QUALITY AND LIFE CYCLE

Offering quality in our product and service is a core value of our business and key driver in everything that we do. Providing a quality product is not only the right thing to do for the consumer, it also has a positive effect on extending the life cycle and use of each item.

Investment in product quality has been a key focus for the business over recent years with our human resources in our quality teams, both in the UK and China, increasing along with significant improvements to our facilities and processes. As such, product quality has become a key internal reporting area with greater focus from the Senior Management Team in reviewing three main areas:

Product returns	Reduced product return rates (particularly faulty/demic returns) ultimately highlights an improvement in product quality and increases in product life cycle.
Consumer feedback	The business uses consumer feedback as a means for continuous improvement for our brands and consumer goods. Engagement with our customer is completed through our customer service team, marketing software called VYPR and monitoring Amazon reviews. Better feedback and reviews highlights better quality of product.
WEEE waste	It is our focus to minimise waste through thorough assessment before deciding to place items into WEEE waste. Instead, we have introduced new means to strip returned products for spare parts and reuse or recycle. We also now work with a product reconditioning partner who is able to refurbish or recycle electrical items for resale.

With greater focus on product quality and life cycle, it has enabled our faulty returns performance to remain stable at very low levels, achieving our KPI. However, we continue to monitor this with the aim of further improvements as the business's sales increase and we can utilise more product recycling opportunities with our new partner.

Environmental reporting

With the increased environmental efforts this year across a broad spectrum of areas and the challenges of lockdown, it hasn't always been possible to effectively collate data on how our changes have positively impacted compared to previous years. We are working on this and are very confident that in 2022 we will have the means to effectively report on our performance more accurately. This will include working towards the TCFD framework in the next financial year and further looking into our scope 3 carbon emissions.

However, we are still able to effectively report on our Scope 1 and Scope 2 carbon emissions areas as detailed below.

The greenhouse gas ('GHG') statement below provides a summary of Ultimate Products' greenhouse gas (carbon) emissions each year from 1 August 2019 to 31 July 2021. It gives a summary of emissions from fuel combustion and the operation of our facilities, which includes our offices, Fleet & Grey Fleet (Scope 1) and our purchased electricity used during the year (Scope 2).

We have adopted the operational control approach, as defined in The Greenhouse Gas Protocol, a Corporate Accounting and Reporting Standard (Revised Edition), 2004. As such, emissions associated with our rented sites are not included in this statement, as they are considered to be outside of our operational control.

- **Scope 1** covers activities owned or controlled by Ultimate Products that release emissions directly into the atmosphere, i.e. gas boilers, vehicle operation, air conditioning etc.
- **Scope 2** covers activities that are not owned or controlled by Ultimate Products but that create emissions as a result of our activities, i.e. electricity consumption.

Environmental, Social & Governance Report

“Offering quality in our product and service is a core value of our business and key driver in everything that we do. Providing a quality product is not only the right thing to do for the consumer, it also has a positive effect on extending the life cycle and use of each item.”

Years		2021		2020*	
		tCO ₂ e	tCO ₂ e/FTEE	tCO ₂ e	tCO ₂ e/FTEE
Scope 1	Total	279.73	0.95	266.16	0.92
	UK %	100 %		100 %	
Scope 2	Total	211.63	0.71	186.81	0.65
	UK %	75.3 %		75.5 %	
Statutory total (Scope 1 and 2)		491.36	1.66	452.97	1.57
Statutory total in KWh (Scope 1 & 2)		2,379,219		2,068,872	
Full-time equivalent employee (FTEE)		295.7		288.8	

* The 2020 figures recorded in the previous Annual Report were inaccurate due to a clerical error in relation to Scope 2 factor use. These have now been checked and reset.

We are disappointed to see an overall increase in our Scope 1 & 2 performance this year and are currently looking into the reasons why this is in more detail via our Environmental Committee.

We believe it relates to an increase in activity on our sites as lockdown has eased and our operation and general activity has significantly increased. In particular, our Heron Mill site is now effectively a six day operation versus a five day in previous years requiring additional energy consumption compared to previous years. Our headcount has also continued to increase this due to the continued growth of the business driving additional consumption across all of our key sites.

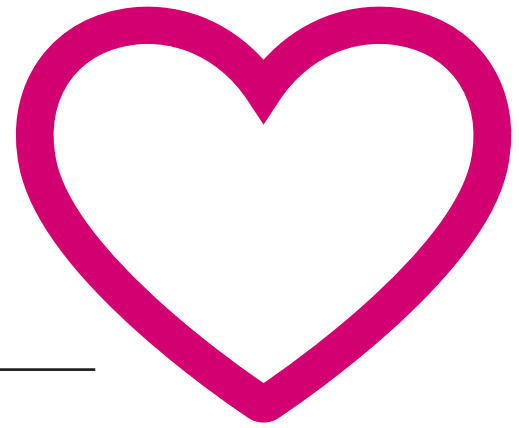
However, we intend to rectify this in future years through our Reduce and Replace initiative along with achieving Grade A category for energy efficiency for both Manor and Heron Mill.

As a growing business, over the coming years, we shall also start to consider the use of intensity ratios/targets and Science-Based Targets (‘SBT’) where appropriate to the size and scope of our operation.

Assessment Parameters

Offices	
Baseline year	2017
Consolidation approach	Operational control
Boundary summary	All facilities under operational control were included
Consistency with the Financial Statements	The use of the operational control approach causes a variation to our Financial Statements. Third party locations utilised in our operations were not under our operational control and are therefore not included in our emissions table. However, approximately 8 Grey Fleet, which were under our operational control, appear in our emissions table but not in our consolidated Financial Statements.
Emission factor data source	DEFRA
Assessment methodology	The Greenhouse Gas Protocol and ISO 14064-1 (2006).
Materiality threshold	Materiality was set at Group level at 5 %, with all facilities estimated to contribute >1 % of total emissions included.
Intensity ratio	Emissions per full-time equivalent employee (FTEE).

WE CARE ABOUT OUR COMMUNITY



This year the business has continued its efforts to support, engage with and positively contribute to the local communities within which it operates.

Supporting local people with job opportunities

Offering job opportunities to our local community has been something we firmly believe in as the business continues to expand. Keeping employment local positively boosts the local economy and aids in our own staff retention.

We have adapted our UK recruitment methods, using our internal recruitment team and recruitment partners, to include a local focus and have now set ourselves a 'recruit local' target to aim for. There are three main postcodes of interest, being OL, M24 and M35, that surround both our head office site and main distribution centre based in the Oldham area.

Following lockdown, and as the community normalises, it is our intention to complete more localised recruitment events with schools, colleges and universities to further promote our career and job opportunities.

Supporting local charities and initiatives

The Group has continued to support charitable organisations that were integral to the local community, many of which had been specifically suggested by our employees as important causes to be involved with.



Maggie's Cancer Support

Maggie's

The UK Charity Committee continued its collaboration with 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. Fundraising this year included multiple internal and external events, such as charity bake off competitions, staff sales and charity 'Around the World' walks. The team successfully raised a record £15,000 this year, which was used towards paying Maggie's operating costs.

Positive Steps

Positive Steps is a local charitable organisation that delivers a range of targeted and integrated services for young people, adults and families across our local community. Their many services include family support, one-to-one young care support, careers, and job support opportunities to those who need it. They have become an integral support mechanism for the most vulnerable young people in our community who, during lockdown, were unable to attend schools or meet with their carers, causing heightened concerns around mental health, access to support and ongoing education.

Since the first lockdown our relationship with Positive Steps has significantly evolved and we are now providing support through three key channels:

1. Donating household goods to be used for vulnerable families or to raise much needed funds;
2. Donating mobile tablets to children aged between 8 and 14 across the Oldham area enabling them to remain connected with their carers and friends to receive and complete school work and remain mentally active. So far, we have donated 180 tablets to children that have provided a real positive difference to their lives as the graphs below show; and
3. To offer ongoing and regular micro grants to enable young adults to achieve employment into new job roles and be suitably prepared to start work. The grants are used to purchase essential and needed equipment for each person or pay for the costs to enable to travel to their job location. So far, we have helped 80 young adults achieve a new role and get into work.

We have also funded 200 'Our Pass' which means young people can get to college/ higher education for free.



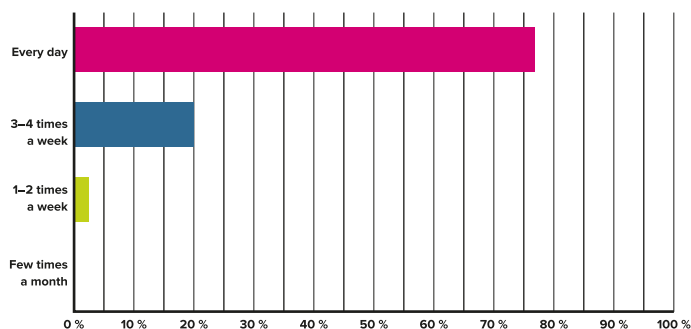
Positive Steps

For young people, adults and family

Illustrations of the positive difference resulting from the donation of tablets are shown below:

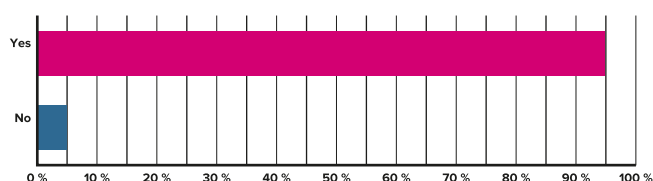
Q1 – 76 % of the tablet users use the tablet every day

Answered: 38 Skipped: 0



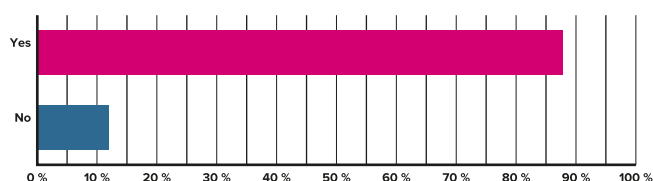
Q6 – Does having the tablet make connecting with others easier – 94 %

Answered: 38 Skipped: 0



Q7 – Does having the tablet make you feel less isolated – 87 % said yes

Answered: 38 Skipped: 0



The Pankhurst Trust/Manchester Women's Aid

The lockdown saw a significant increase in domestic abuse cases, with many females and children having limited options to restart their lives in a safe environment.

The Pankhurst Trust, in partnership with Manchester Women's Aid, provide opportunities for victims across Greater Manchester to escape abuse by living in one of their shelters before being confidentially rehomed.

This year we worked with the trust by donating hundreds of household consumer goods, free of charge, to enable abuse victims to restart their lives with key living essentials readily available.

Regenda Homes

Regenda is a local housing organisation providing housing and affordable living for vulnerable people and families within the Oldham area. During lockdown, they encountered unprecedented issues with families struggling to live and support their homes and needed some urgent help.

We supported by donating over 20 starter packs, comprising of essential household goods (including laundry, kitchen appliances and homewares to the value of £250 each) to give these local residents a helping start in preparing their homes to live in.

Supporting Local Businesses and Initiatives

Our aim is to support the economy of our local communities by using local businesses as supply chain partners and offering financial or other support to those organisations who are also trying to do the same.

This year, we were able to utilise multiple local businesses as part of our head office modernisation project, enabling a staggering £1 m of the projects expenditure to remain within the local community.



The Pankhurst Trust
For domestic abuse victims



Regenda Homes
Local housing association



Local Business
And Initiatives



Positive Steps
For young people, adults and family

WE STRIVE TO DO THE RIGHT THING

We have high expectations of ourselves and our partners to make the right decisions at the right time, in order to do the right thing whenever circumstances require it.

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	Environmental Policy
Data Protection and GDPR Policy	Whistleblowing Policy
Equality Policy	Modern Slavery Statement
Health and Safety Policy	Quality Policy

The Group's policies have been developed to ensure that the business adheres to high legal practices, as well as to maintain standards of professionalism and integrity for all employees worldwide. Our employees receive ongoing and regular training on these key policies to ensure awareness and engagement remains current.

The independently monitored Whistleblowing Hotline provides opportunity for employees, customers, suppliers or other stakeholders to confidentially raise any concerns so that they can be thoroughly investigated.

Our internal Modern Slavery Committee continue to audit the business on an annual basis, in order to ensure compliance with the Modern Slavery Act. The audit includes the reviewing of our internal and external people procedures and the continual monitoring of the actions of our wider supply chain partners. Any risks identified result in immediate remedial action.

In doing so, the business is committed to providing fair and compliant employment terms to all of its workers and delivering excellent working conditions for our teams to prosper.

As a result, the Group has received 0 reports this year relating to modern slavery, bribery or corruption incidents via its internal HR team and external Whistleblowing Hotline.

Our supplier ethical audit approach continues

At Ultimate Products, it is our aim to ensure our factory base is continually adhering to key ethical standards and providing working conditions suitable for all.

We started our Supplier Ethical Programme back in 2009 and continue to evolve it as our supplier base grows and develops. We continue to be members of both SEDEX and

amfori BSCI, and use all the various third parties to carry out our audits.

It is our aim to have 100 % of 'live' suppliers audited at any time, whilst all 'live' suppliers are subject to a minimum 12-month renewal. Many of the audits are unannounced. This year's performance was exceptional, considering the large-scale disruption COVID caused on our ability to effectively travel to visit factories safely throughout the year.

Diversity and inclusion

We want to provide a business that has a diverse and inclusive culture, where people are accepted for their differences and are treated fairly. We therefore embrace diversity in all its forms. We believe this will improve our market competitiveness, generate positive discussion and opinion, enhance our reputation and create an inclusive and positive working environment for all employees to thrive.

Over the coming years we will be introducing new diversity training for our people covering a range of subjects around ethnicity, different cultures, religions and unconscious bias.

Women in leadership

The 'Women in Leadership' initiative, whereby female members of our Senior Management Team mentor our future female leaders, has continued this year and has now become an integral part of the leadership development offered to our future female leaders.

This year, we have also appointed two new female members, Jill Easterbrook and Christine Adshead, to the Main Board and one male member, Barry Franks, has stepped down. This has altered the gender split to six men and two women and positively affected our long-term aspirations to see greater diversity within our Main Board team.

Women in leadership pipeline

We have also started to track our Women in Leadership pipeline, with a longer term aim of achieving 50 % of leadership positions filled by female colleagues across the Group.

The table below highlights a pipeline of female colleagues at different stages of their leadership journey which we hope, with time, will help us achieve our goal.

	Mentor	Senior/ Assistant Manager	Defined as Leadership Positions		
			Manager of Head of Dept	Operating Board	Main Board
2020	12	22	5	2	0
2021	9	33	8	3	2
Current percentage of leadership roles held by women					31.7 %



Gender reporting

Employees as at 31 July 2021:

	Male	Female
Main Board Members	6	2
Operating Board Members	4	3
Main Board Direct Reports	4	4
Operating Board Direct Reports	52	48
Employees	106	103
Total	172	160

As the above table illustrates, we are seeing men and women progress in a more balanced ratio into supervisory and management roles. In time, we expect this to lead to a more balanced gender split at senior management level and across the Main and Operating Boards.

Equal and fair pay

The Group is committed to offering fair and equal pay across its talented workforce and, to ensure there are no forms of discrimination within the remuneration structures offered, we strive to reward people based on their capabilities, commitment, efforts and contribution.

Over recent years, the introduction of the Graduate Development Scheme and structured pay grades within our Distribution Centres has helped ensure consistency in remuneration, irrespective of age, ethnicity or gender. This includes a commitment to offering a minimum hourly rate of £9.50 per hour across all of our temporary and permanent positions within our UK teams.

As such, this has created a fair and consistent approach across all our UK entry-level positions, with the only differences in pay within these positions caused by differing stages of progression on the Graduate Development Scheme.

Median gender pay

The table below illustrates our median hourly rates by gender. The gender pay gap on this measure is currently 4.55 % in favour of our male colleagues, which is very low compared to wider comparatives.

However, this is a figure that is always changing and it is not unusual to see gender pay gap favour our female colleagues. This is caused by the mix of male and female colleagues progressing through the different stages of the graduate scheme's salary bandings at the point of the snapshot date.

Our aim is to continue to balance our Median Gender Pay over time with any short-term fluctuations kept within a range of +/-5.0 %.





	Male	Female
Median Hourly Rate	£11.02	£10.54
Difference		£0.48

* Analysis based on 5 April 2021 snapshot date

Health and safety

The health, safety and well-being of our workers, customers and visitors is essential to everything we do.

The Board regularly reviews all health and safety matters to ensure compliance with Group policy and local statutory health and safety regulations. External competent assessors complete regular health and safety inspections on our sites and internal responsibilities have been defined within the Group to manage all ongoing health and safety matters. Ongoing health and safety concerns and risk exposures are documented within monthly board packs and, where appropriate, are escalated to the Audit and Risk Committee.

This year there have been 0 incidents that have required reporting under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1993 (RIDDOR), which further proves the Group's commitment to maintaining employee safety.

COVID-19 safety

The COVID-19 pandemic has created an unprecedented set of circumstances that all businesses have had to respond and react to by ensuring Government regulation is adhered to and adapting guidance to suit operational needs.

From the onset of the Coronavirus pandemic, our key priorities have been the safety of our colleagues and supporting others in our local communities whom are struggling or in significant need.

In line with government guidelines, we have been able to safely keep our global sites open by implementing robust and effective COVID-19 safety measures that put employee safety at the top of the list. In most cases, the measures applied have gone beyond government recommendations.

Based on management's investigation into cases arising, these robust and effective procedures ensured that the business did not record a single COVID-19 positive test as a result of on-site transmission between 25 March and 31 July 2021.

COVID-19 positive cases since UK lockdown commenced to 31 July 2021

Area	Number of Confirmed Cases
Employees who have contracted COVID-19 from being on site	0
Employees who have contracted COVID-19 via their personal life	15
Overseas offices	0
Total	15

As the lockdown measures have eased, we have switched our focus to allowing our colleagues to return to our sites in conjunction with the completion of the office refurbishment project.

However, we have still maintained an ability for our teams to work from home in some form of hybrid working going forward, with the aim of enhancing job task productivity and maintaining an effective work-life balance, especially for those who face additional challenges such as childcare commitments.

SECTION 172 STATEMENT

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

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 Group 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.

Further information and examples of how the Group engages with key stakeholders can be found below and throughout this report, in particular, in the Environmental, Social and Governance Report on pages 26 to 40 and the Shareholder Engagement section on page 52.

Stakeholder engagement

Ultimate Products' stakeholders are its employees, customers, suppliers, shareholders and lenders and the Board recognises the need to regularly review and consider who its stakeholders are as it makes decisions. We encourage the development of long-term relationships with our stakeholders in accordance with our culture and values, with the ongoing desire to be a trusted, best-in-class partner to all of our stakeholders equally.

Our colleagues are fundamental to our success, our purpose and to delivering on our promises to our stakeholders. We invest in our people. The Environmental, Social and Governance Report on pages 26 to 40 sets out how we develop, involve and engage with our colleagues and have regard to their interests through the various development programmes, the committees, the Employee Consultation Group and People Engagement Survey.

We understand our customers' needs, markets and their customers, carrying out in-depth research and conducting store visits to support our understanding, so that we can present the products that best exceed their expectations. 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.

Doing the right thing is at our core. We ensure that we source products in a responsible manner and require our suppliers to commit to our ethical trading policies which are commented on further in the Environmental, Social and Governance Report on pages 26 to 40. With

international travel continuing to be severely impacted by the pandemic in FY 21, having a team of local sourcing, ethics and quality colleagues in China has allowed us to continue to have regular engagement with our suppliers at their factories. We have high expectations of our suppliers but we recognise our responsibilities and commit to prompt payment according to agreed terms.

Members of the Board have regular meetings and engagement with our institutional and private investors (see the Shareholder Engagement section of the Corporate Governance Report on page 52, as well as with analysts and lenders in order to explain the Company's strategy, progress and plans, and to share how we are addressing any market challenges.

We care about the community and we care about the environment. The Environmental, Social and Governance Report on pages 26 to 40 sets out how the business has increased its efforts to engage with and support the local community, along with the increased focus on the environment through the Environmental Committee established in FY 20 and further supported by the newly formed ESG Committee of the Board.

In last year's Annual Report the Financial Review referred to the considerations of the Board before coming to the conclusion to do the right thing and repay the furlough monies initially claimed from the UK government and taxpayer which was then followed by the Board being comfortable with the fair and equitable step to re-introduce its previously stated dividend policy. This year's Financial Review refers on pages 14 to 20 to the considerations of the Board in concluding that the acquisition of Salter Brands Limited would be most likely to promote the success of the Company and be for the benefit of the members and stakeholders as a whole.

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 on pages 5 to 41 was approved by the Board of Directors on 1 November 2021.



Simon Showman
Chief Executive Officer
1 November 2021



Graham Screawn
Chief Financial Officer



We invest in our people.

Three stylized, light blue human figures are arranged in a row, overlapping each other. They are simple outlines with rounded heads and bodies, representing a diverse group of people.

We are committed to our future leaders, which is why the Ultimate Products graduate scheme is now one of the largest in the North West, with established training programmes and facilities to help guide employees throughout their career.

Our support extends beyond office walls. Through our employee committees, we always strive to do better, create a positive environment, and support all our staff to reach their full potential.

Career
progression
opportunities

Work with peers
and senior staff

Tailored personal
development
plans

Regular reviews
and mentoring

When people ask us, **why Ultimate Products?**

CORPORATE GOVERNANCE



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We say it's because **we are a talent business.**

Board of Directors

The Board of Directors has overall responsibility for the Group. Its aim is to represent all stakeholders and to provide leadership and control in order to promote the successful growth and development of the business.



James McCarthy
Independent
Non-Executive Chairman



Simon Showman
Chief Executive Officer



Andrew Gossage
Managing Director



Graham Screawn
Chief Financial Officer

James McCarthy (65) **Chairman**

James has over 40 years' experience in the fast-moving retail industry, having previously held the position of Chief Executive Officer of Poundland Group plc ('Poundland'), a single price retailer. He retired in September 2016, after 10 years' service having joined in August 2006. During his tenure, Poundland's sales grew from £300 m to £1.3 bn per annum. The business was floated on the London Stock Exchange in March 2014 and was acquired by Steinhoff International in September 2016.

Prior to joining Poundland, James was Managing Director of Convenience at J Sainsbury plc and was a member of the operating, retail and investment boards. His experience includes 10 years as Chief Executive Officer of T&S Stores plc, operating over 1,200 stores and sold to Tesco plc in 2003, as well as holding the positions of Managing Director of Neighbourhood Retailing (part of Next plc) and Managing Director of Birmingham Post & Mail Limited's retail estate.

Term of Office

Joined the Company on 1 March 2017 when he was appointed Non-Executive Chairman.

External Appointments

Until 1 July 2021, Non-Executive Chairman at Wynnstay Group plc

Committee Membership

Nomination Committee (Chair)
Remuneration Committee

Simon Showman (48) **Chief Executive Officer**

Simon began his career working for an auctioneer before founding Ultimate Products in 1997. Initially a clearance business buying discontinued and excess stock, with investment from Barry Franks who became the majority shareholder, Simon was able to grow the business into the full-service sourcing and importing operation we see today. During

the early 2000s, Simon began to source regular products from countries around the globe such as Portugal, Vietnam and, in time, from China. This led to investment by Lloyds Development Capital (LDC), enabling Simon to become the Chief Executive Officer and largest management shareholder in 2005. As the Company grew, Simon was able to use his increasing knowledge to change the focus of the business in 2014, moving away from own-label and unbranded products to fine-tuning key brands. This led to the buyout of LDC's shareholding using personal money and support from HSBC. Simon leads the Group's international expansion strategy and is directly responsible for the key trading functions of sales and buying, continuing to be the driving force behind the ongoing development of the Group, always striving for progression and innovation.

Term of Office

Appointed as Chief Executive Officer of the Company on its formation in 2005 at the time of the investment by LDC, having been a Director of Ultimate Products since 1997.

Committee Membership

ESG Committee

Andrew Gossage (50) **Managing Director**

Andrew is a chartered accountant and started his career with Arthur Andersen where he held positions in audit and transaction support. In 1998, he transferred into industry, taking on the role of Finance Director & General Manager of Mersey Television, an independent television producer of continuing drama including Hollyoaks, Brookside and Grange Hill. He was a key member of their management team, which was backed by private equity

investment from LDC in 2002, leading the sale of the business to All3Media in 2005. Andrew joined Ultimate Products in 2005, initially as Finance Director, and was an integral part of the management buyout team that year. In 2014, together with Simon Showman, he led the buyout of LDC using personal money and support from HSBC. At this point, Andrew was promoted to Managing Director. Andrew is currently responsible for online and non-trading functions including finance, supply chain, human resources, IT and legal.

Term of Office

Joined the Company initially as Finance Director in 2005 before being promoted to Chief Operating Officer in 2007 and Managing Director in 2014.

Committee Membership

ESG Committee

Graham Screawn (54) **Chief Financial Officer**

Graham is a chartered accountant and member of the Chartered Institute of Taxation. He started his career with KPMG where he began working in audit and latterly moved to tax advisory roles. In 1995, he made his first move into industry with Hilti, a specialist power tools company. Here, he held various finance and business analysis roles before being promoted to Finance Director in 2006. He was also trustee of the Hilti defined benefit pension scheme. Graham joined Ultimate Products in 2010 as Finance Director, responsible for the finance function and all external finance relationships.

Term of Office

Joined the Company in 2010 and was appointed as Chief Financial Officer later that year.





Alan Rigby
Senior Independent
Non-Executive Director



Robbie Bell
Independent
Non-Executive Director



Jill Easterbrook
Independent
Non-Executive Director



Christine Adshead
Independent
Non-Executive Director

Alan Rigby (65)
Senior Independent
Non-Executive Director

Alan spent the majority of his working career at HSBC plc, joining in 1975 and gaining broad experience through a range of management positions including credit and risk, retail, commercial, large corporate and global banking markets. Prior to his retirement from HSBC, he was Head of Corporate Banking in Manchester between 2004 and 2014. In the three years to December 2016, Alan has provided independent consultancy services to private companies on strategy, corporate transactions and refinancing.

Term of Office

Joined the Company on 1 March 2017 when he was appointed Senior Non-Executive Director.

Committee Membership

Remuneration Committee (Chair)
Audit and Risk Committee
Nomination Committee

Robbie Bell (48)
Independent
Non-Executive Director

Robbie is Chief Financial Officer of Holland & Barrett, Europe's largest health and wellness retailer. He was formerly CFO of convenience retailer McColl's Retail Group, prior to which he was Chief Executive Officer of motorway services operator Welcome Break Group, where he oversaw its takeover by Applegreen in 2018. From 2009 to 2017 he was CFO of building materials retailer Screwfix Direct Limited.

Term of Office

Joined the Company on 1 March 2017 when he was appointed Non-Executive Director.

Committee Membership

Audit and Risk Committee (Chair)
Remuneration Committee
Nomination Committee

Jill Easterbrook (50)
Independent
Non-Executive Director

Jill Easterbrook was previously the CEO of Boden, the fashion retailer, having formerly worked at Tesco plc for 15 years in a variety of senior roles including Group Business Transformation Director, Chief Customer Officer, Managing Director

of UK and ROI Clothing, and Group Strategy Director. Jill started her career in merchandising for Marks & Spencer Group plc, and also worked for four years as a Management Consultant for Cap Gemini Ernst & Young. Jill is a Non-Executive Director of two FTSE 100 companies - Auto Trader Group plc, the UK's largest automotive marketplace, and Ashtead Group plc, the international equipment rental company. In August this year, Jill was also appointed as Non-Executive Chair of Headland Consultancy Limited, a London-based agency specialising in financial PR, corporate reputation, public affairs and campaigning.

Term of Office

Joined the Company on 21 September 2020 when she was appointed Non-Executive Director.

Committee Membership

Remuneration Committee
Nomination Committee
ESG Committee (Chair)

Christine Adshead (57)
Independent
Non-Executive Director

Christine Adshead is a former Partner at PwC, where she spent nearly 20 years providing transaction advisory services across a range of corporate activities and a variety of sectors, including retail and consumer goods. She was PwC's London region private equity leader, as well as being a national leader for mid-tier private equity. Christine was also an elected member of the PwC Supervisory Board, the governance body for PwC in the UK which represents the interests of over 900 partners and is responsible for providing constructive challenge to PwC's UK Executive Board. Christine is a Non-Executive Board Member of Hill Dickinson LLP, an international commercial law firm headquartered in Liverpool.

Term of Office

Joined the Company on 21 September 2020 when she was appointed Non-Executive Director.

Committee Membership

Audit and Risk Committee
Nomination Committee
ESG Committee

CHAIRMAN'S INTRODUCTION

I am pleased to present this year's Corporate Governance Report which describes our approach to governance and sets out how the principles of the 2018 UK Corporate Governance Code (the 'Code') have been applied during the year. Information about the operation of the Board and its committees, and an overview of the Company's system of internal controls are also included.

In September 2020, we announced changes to our Board with Barry Franks, the Company's co-founder and Non-Executive Director, retiring from the Board but remaining in the business as President in recognition of his outstanding contribution to Ultimate Products. At the same time, Jill Easterbrook and Christine Adshead were appointed to the Board as new Independent Non-Executive Directors, bringing with them extensive knowledge and experience to supplement the existing expertise of the Board. I am pleased to report that Jill and Christine have already made a very positive contribution to the Board and the committees on which they serve. Their appointments have further strengthened the corporate governance framework of the Board which continues to maintain an effective, controlled environment to monitor and manage the risks faced by the Company as it pursues its strategy.

In spite of not being able to meet physically until recently, throughout the year the Board maintained strong effective communication, continuing with additional mid-month virtual meetings which were introduced at the start of the pandemic in addition to the formal Board meetings themselves. This has allowed the whole Board to remain well informed of the progress and challenges faced and I believe it was a strong contributor to ensuring that the new Board members were quickly and efficiently integrated.

As a Company listed on the main market of the London Stock Exchange, the Company is required to comply with the Code, Listing Rules, Disclosure Guidance and Transparency Rules and the Companies Act 2006. As the Company is below the FTSE 350, some provisions of the Code do not apply. However, the Company intends, wherever possible, to apply best practice to maintain strong governance.

Information about the Board, its members and committees is also included in the report with further details of the Board's composition given on pages 44 to 46 – Board of Directors.



James McCarthy
Chairman
1 November 2021

CORPORATE GOVERNANCE

Compliance with the Code

The Board is committed to maintaining an embedded culture of good and effective governance, to support the sustainable success of the business for the benefit of its members as a whole.

The Company is committed to applying the principles of corporate governance contained in the Code and to comply with the provisions therein. Each of the provisions of the Code has been reviewed and, where necessary, steps have been taken to ensure that the Company is in compliance with all of those provisions as at the date of this report.

The Directors consider that the Company has complied throughout the year ended 31 July 2021 with the provisions of the Code, except as set out below.

- The composition of the Board did not comply with provision 11 of the Code from the beginning of the year until 21 September 2020 as less than half of the Board, excluding the Chairman, comprised Independent Non-Executive Directors. During this period, the Board comprised three Executive Directors, the Non-Executive Chairman, two Independent Non-Executive Directors and one Non-Independent Non-Executive Director. As noted in the introduction above, retirements from and appointments to the Board were concluded on 18 and 21 September respectively such that the composition of the Board then became three Executive Directors, the Non-Executive Chairman and four Independent Non-Executive Directors, at which point it was fully compliant with the provision. The Board considers that, despite this non-compliance during the period to 21 September 2020, the Board had an appropriate balance of skills, knowledge and experience to enable it to discharge its duties and responsibilities effectively. No concerns regarding bias towards the Board's non-independent majority were raised as part of the Board performance evaluation carried out during the year.
- In making the new Non-Executive Director appointments referred to above, the Board did not use open advertising or an external search consultancy and, therefore, did not comply with the recommended approach of provision 20 of the Code. The Board used their wide network of professional contacts, including their nominated advisors, over an extended period to draw up



a long list of suitable candidates. The process for the appointments was led by the independent members of the Nomination Committee based on merit and objective criteria, taking into account the skills, experience, personal strengths, knowledge and capacity of the candidates. The Board considers that the process adopted was effective, balanced and independent such that the appointments made will successfully enhance the skills, knowledge and experience of the Board as a whole.

A copy of the Code is available at www.frc.org.uk.

The Board

Since the appointments referred to above, the Board has 8 members, comprising of three Executive Directors, a Non-Executive Chairman and four Independent Non-Executive Directors. The Board reflects a good balance of skills and a diversity of expertise from operational, financial, sector-specific and general business backgrounds as described in the Directors' biographies set out on pages 44 to 46. The Board is committed to ensuring that it continues to have an appropriate balance of skills, experience and knowledge of the Group and its sector to enable it to discharge its duties and responsibilities effectively.

The Executive Directors work solely for the Company and the Board considers that any other directorships held do not interfere with their responsibilities to the Company. Executive Directors, Simon Showman and Andrew Gossage, along with former Non-Executive Director Barry Franks, are Directors of Heron Mill Limited, from whom the Group leases its principal distribution facility at Heron Mill. In addition, the Group also leases its offices, showroom and secondary distribution facility at Manor Mill from Berbar Properties Limited, of which former Non-Executive Director Barry Franks is a Director. How the Board deals with conflicts of interests is commented on below. Other than the leases of Heron Mill and Manor Mill noted above, there are no conflicts of interest with the other directorships of the Executive Directors.

The Chairman's other significant interests have been disclosed to the Board along with changes arising since his appointment. These external appointments are noted on the Chairman's biography on page 45. Other than stepping down on 1 July 2021 from the Board at Wynnstey Group plc and his role as Non-Executive Chairman, there have been no changes during the year. The Board are satisfied that other commitments of the Chairman and of the Non-Executive Directors do not prevent them from

devoting sufficient time to the Company.

The Board considers each of Alan Rigby, Robbie Bell, Jill Easterbrook and Christine Adshead to be independent for the purposes of the Code and free to exercise independent judgement. The Board considers that, at the time of his appointment, the Chairman was independent for the purposes of the Code.

The roles of Chairman and Chief Executive Officer are separate and there is a clear division of responsibilities between those roles. The Chairman is responsible for the leadership and governance of the Board and ensures the effective engagement and contribution of all Non-Executive and Executive Directors. The Chairman also ensures that Board meetings are conducted with openness and challenge. The Chief Executive Officer has responsibility for all commercial activities of the Company including product development, sourcing and customer relationships, whilst the Managing Director has responsibility for the operational elements including supply chain, quality assurance, ethical and social compliance, human resources and IT.

The Chairman maintains regular contact with the Independent Non-Executive Directors to discuss and address any issues or concerns outside of formal Board meetings. The Chairman also provides support to the Executive Directors, where required.

The Senior Independent Non-Executive Director, Alan Rigby, provides a sounding board for the Chairman and is available to shareholders if they have concerns that have not been resolved via the normal channels of Chairman, Chief Executive Officer or the other Executive Directors, or where communication through such channels would be inappropriate.

Role of the Board

The Board is collectively responsible to the Group's shareholders for the long-term success of the Group, determines the strategic direction of the Group and reviews operating, financial and risk performance. The Board is required to maintain strong governance processes and oversight to help drive the culture of the business so that it can deliver on its responsibility to its wider stakeholders.

There is a formal schedule of matters reserved for the Board which have been reviewed, considered and updated during the year, and such matters include the approval of the Group's annual business plan, the Group's strategy, acquisitions, capital expenditure projects above certain

thresholds, Financial Statements, the Company's dividend policy, changes to the capital and structure, borrowing powers, appointments to the Board, legal actions brought by or against the Group above certain thresholds, and the scope of delegations to Board committees, subsidiary boards and the management committee.

Responsibility for the development of strategy and operational management is delegated to the Executive Directors with the support of the Group's Operating Board, which as at the date of this report includes the Executive Directors and seven senior managers. The Board aims to meet with the Operating Board once each year to formally consider the strategic direction of the Group. The scheduled FY 21 meeting was deferred due to the restrictions from the COVID-19 pandemic and has been re-organised for later this year.

Evaluation of Board performance

In line with the Code, a formal and rigorous performance appraisal of the Board, its Committees, the Directors and the Chairman is conducted annually, as we recognise that our effectiveness is critical to the Group's continued long-term success. The Company's Articles require that every three years the Board's performance is externally facilitated, with last year being the first requirement for an external review. The results of the external review were presented to the Board during the year, and whilst the review found that the Board and its committees were functioning well and are cohesive in their desire for continuous improvement, the Board agreed on a set of actions in order to further improve its performance and effectiveness. This year the evaluation was carried out internally, led by the Chairman, who conducted a detailed and comprehensive evaluation process using individual interviews and written questionnaires. The results of the evaluation were shared with all members of the Board. Overall, the review found that the Board and its committees were functioning in an effective manner and performing satisfactorily, with no major issues identified. Given the results of the review and the appointments to the Board and its committees during the year, the Chairman expects no further changes to the composition of the Board or its committees.

The Non-Executive Directors, led by the Senior Independent Director, carried out the performance evaluation of the Chairman, taking into account the views of the Non-Executive and Executive Directors as established by questionnaires and discussions, followed by discussion and feedback with the Chairman. It was concluded that the Chairman's performance continues to be strong and that he demonstrates effective leadership. The Chairman is pleased to confirm that, following performance evaluation of the Directors, all of the Directors' performances continue to be effective and all of the Directors continue to demonstrate commitment to the role of Director, including commitment of time for Board meetings and committee meetings, as well as any other relevant duties.

As reported last year, following the FY 20 formal and

rigorous evaluation of performance, having had due regard to any respective conflicts of interest, during FY 21, the Nomination Committee recommended to the Board that, subject to shareholder approval at the 2020 Annual General Meeting, James McCarthy was reappointed as Chairman and Alan Rigby and Robbie Bell were reappointed as the Senior Independent Non-Executive Director and Non-Executive Director respectively for a further period of three years commencing on the date of such shareholder approval. The Board approved each conditional reappointment on 2 November 2020 and shareholder approval was confirmed at the Annual General Meeting on 11 December 2020.

Training and development

There were two appointments to the Board in September 2020. On appointment to the Board, the new Directors commenced a tailored induction to introduce them to the Company's business, operations and governance arrangements. This included corporate governance training, provision of strategic, financial, product and market information and meetings with members of the Senior Management Team. The induction of the new Directors was supplemented by the mid-month conference call meetings of the Board, which commenced at the start of the pandemic in the UK and continued throughout the year, increasing the Board's interaction and accelerating the knowledge and understanding of its newest members. As physical meetings of the board have now recommenced, tours to a number of the Group's offices, showroom and distribution facilities will be arranged.

The Company will provide any further training deemed necessary, at the direction of the Board member, along with participation in strategic and other reviews to ensure that the Directors continually update their skills, knowledge and familiarity with the Group's business.

The Directors are also able to take independent professional advice, as deemed necessary to discharge their responsibilities effectively. All Directors have access to the advice and services of the Company Secretary. The Non-Executive Directors have access to senior management of the business.

Conflicts of interest

The Articles allow the Board to authorise potential conflicts of interest that may arise from time to time, subject to certain conditions. The Company has appropriate conflict authorisation procedures, whereby actual or potential conflicts are considered and authorisations sought as appropriate. Each Board meeting and Committee meeting agenda includes conflicts of interest to ensure that any potential conflicts are identified and handled accordingly, in advance of any discussion on the identified matter.

There were no material conflicts of interest arising in the year ended 31 July 2021.



Committees of the Board

The Board has formally delegated specific responsibilities for audit, risk management and financial control, Board composition and remuneration to various committees, namely the Audit and Risk Committee, Nomination Committee and Remuneration Committee. In addition, the Board has recently formed an ESG Committee to provide strategic guidance and direction to the Group as it continues to strengthen its ESG foundations. These committees are all chaired by an Independent Non-Executive Director or the Chairman, enabling them to take an active role in influencing and challenging the work of the Executive Directors and Senior Management Team. Details of the composition, responsibilities and activities of these committees are set out below.

The Terms of Reference of each of the existing committees were reviewed in the year and will be reviewed at least annually. Terms of Reference of the existing committees of the Board are available on the Company's website, www.upgs.com. The Terms of Reference of the newly formed ESG Committee will be established during the course of FY 22, at which point they will also be made available on the Company's website.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in discharging its responsibilities with regard to reviewing and monitoring the integrity of the financial information provided to shareholders, the Group's system of internal controls and risk management, the internal and external audit process and auditors, presenting a fair, balanced and understandable assessment of the Group's position and prospects, and the processes for compliance with laws, regulations and ethical codes of practice. The Audit and Risk Committee is chaired by Robbie Bell with other members being Alan Rigby and Christine Adshead.

The report of the Audit and Risk Committee is included on pages 53 to 57.

Nomination Committee

The Nomination Committee leads the process for making appointments to the Board and ensures that there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. The remit of the Nomination Committee also includes reviewing the composition of the Board through a full evaluation of the skills, knowledge and experience of Directors and ensuring an effective

succession plan is maintained for appointments to the Board and senior management positions. The Nomination Committee makes recommendations to the Board on its own membership and that of its other committees. The Nomination Committee is chaired by James McCarthy and its other members are Alan Rigby, Robbie Bell and, following their appointment referred to below, Jill Easterbrook and Christine Adshead. Barry Franks was a member of the Nomination Committee until he resigned from the Board on 18 September 2020, as referred to below.

The Nomination Committee is required, in accordance with its terms of reference, to meet at least once per year. The Nomination Committee held two meetings during the year.

The Nomination Committee believes and applies the concept that building a diverse and inclusive culture is integral to the success of the Group. Diversity includes aspects such as diversity of skills, perspectives, industry experience, educational and professional background, gender, ethnicity and age. It is the Group's aim to have the appropriate level of diversity on the Board to reflect the diverse nature of the Group's operations and provide a wider perspective to decision making. We remain committed to ensuring that recruitment and promotion of individuals throughout the Group, including those at Board and senior management level, is based on merit and objective criteria, always considering relevant skills, experience, knowledge, ability and with due regard for the benefits of diversity and inclusion. At the date of this report, female representation on the Board was 25 % and this is in line with the Board's initial target for gender diversity. During the year the Group's Operating Board increased by one and as a result three of the ten members (30 %) are now female.

More information on the Group's gender profile is included in the Environmental, Social & Governance Report on page 39 where it can be seen that at 31 July 2021, 48 % (2020 – 47 %) of the direct reports of the Board and the Operating Board and 49 % (2020 – 52 %) of other employees were female.

The Nomination Committee and also the Board as a whole have given further consideration to diversity and inclusion during the course of the year. Data is currently in the process of being collated, after which it will be reviewed thoroughly to allow the Committee to identify where the Group is succeeding and importantly, the aspects it needs to strengthen to provide a business with a diverse and inclusive culture.

In accordance with its Terms of Reference, the Nomination Committee led the process, which was concluded in FY 21, to consider potential independent Non-Executive Directors to strengthen the Board's collective expertise and ensure it is well placed to meet the current and future needs of the Group. The process involved establishing a long list of suitable candidates who were assessed based on merit and objective criteria, taking into account the skills, experience, personal strengths, knowledge and capacity of the candidates with regard also to the wider benefits of diversity. Following meetings between the leading candidates and members of the Nomination Committee, further meetings were arranged with other members of the Board and the Senior Management Team. Feedback was provided to the Nomination Committee, who then recommended to the Board that both Jill Easterbrook and Christine Adshead be appointed to the Board. Both of which were approved by the Board, taking effect from 21 September 2020. Subsequently the Nomination Committee recommended to the Board the following additions to committee membership:

- Jill Easterbrook: Remuneration Committee and Nomination Committee; and
- Christine Adshead: Audit and Risk Committee and Nomination Committee.

The addition of both Jill and Christine to the Nomination Committee brings extensive experience, knowledge and greater diversity to the Committee, reflecting the importance the Board places on the important role the Committee plays in shaping the future leadership group.

As referred to in the introduction, as well as the two appointments above, Barry Franks resigned as a Non-Independent Non-Executive Director of the Board and member of the Nomination Committee on 18 September 2020 but remains in the business, in a non-statutory director capacity, as President.

Succession planning is a key responsibility of the Nomination Committee, who continue to review and provide feedback on the corporate succession plan prepared for the Board, senior management and other key positions, along with consideration of alternative leadership structures. The plan addresses both emergency cover and long-term succession. The Committee believes that maintaining an open dialogue with the Executive Directors is crucial to support effective succession planning and, to this end, as COVID restrictions relaxed, the Chairman held meetings with the Executives to discuss and understand their current thoughts for the future. Furthermore, to promote such open dialogue with wider key positions, the Remuneration Committee has moved to put in place supportive provisions relating to the Group's share schemes.

Under the guidance of the Nomination Committee, the Group has continued to support the Senior Management Development Programme (the 'Programme'), which aims to promote the development of talent from within,

along with supporting the succession planning and diversity objectives of the Board. Colleagues on the Programme periodically update and reassess their personal skills matrix, their development areas and training needs to allow them to enrich their skills, experience and development. During the year, the Nomination Committee commenced a review of the skills matrix, which is used to assess and update the development and training requirements of colleagues on the Programme, and this will be considered for this year's update.

In the period from 1 August 2020 to the date of this report, the Nomination Committee has completed the Board evaluation process, as referred to above, concluding that each Director continues to demonstrate the necessary knowledge and commitment to contribute effectively to the Board and that the Board and its committees are functioning in an effective manner, performing satisfactorily, with no major issues identified.

As referred to in the Evaluation of Board Performance section on page 49, the Nomination Committee also recommended that James McCarthy was reappointed as Chairman and Alan Rigby and Robbie Bell were reappointed as the Senior Independent Non-Executive Director and Non-Executive Director respectively for a further period of three years. Shareholder approval of the recommendations was provided at the 2020 Annual General Meeting on 11 December 2020.

Remuneration Committee

The Remuneration Committee assists the Board in fulfilling its responsibility to ensure that the Remuneration Policy and practices of the Company are fair, responsible, linked to performance and have regard to statutory and regulatory requirements. The Remuneration Committee is chaired by Alan Rigby and its other members are James McCarthy, Robbie Bell and Jill Easterbrook.

The Remuneration Committee Report is included on pages 58 to 83.

ESG Committee

As noted above the Board has recently formed an ESG Committee to provide strategic guidance and direction to the Group as it continues to strengthen its ESG foundations. The ESG Committee is chaired by Jill Easterbrook and its other members are Christine Adshead, Simon Showman and Andrew Gossage. The ESG Committee met once during the year with the whole Board present and has met once since the year end. The initial focus of the Committee will be to consider the development of the Group's ESG strategy and framework, and subsequently the long-term ESG targets of the Group, along with formulating the Terms of Reference of the Committee for approval by the Board.

Meetings and attendance

Board meetings are scheduled to be held monthly although, on occasions due to scheduling constraints, the meeting may be held at the beginning of the following month. As required, additional Board meetings (and/or Board committee meetings) may be held to progress the Company's business.

The minimum number of meetings of Committees of the Board to be held each full year are: Audit and Risk Committee, four; Remuneration Committee, two; and the Nomination Committee, one.

In the year ended 31 July 2021, the number of scheduled meetings of the Board and of the Committees of the Board, along with the attendance of individual Directors, are set out in the table below:

	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee	ESG Committee
James McCarthy	12 of 12	-	6 of 6	2 of 2	1*
Simon Showman	12 of 12	-	-	-	1 of 1
Andrew Gossage*	12 of 12	-	1*	1*	1 of 1
Graham Screawn*	12 of 12	6*	6*	2*	1*
Alan Rigby	12 of 12	6 of 6	6 of 6	2 of 2	1*
Robbie Bell	11 of 12	6 of 6	5 of 6	2 of 2	1*
Christine Adshead	10 of 11	4 of 5	-	1 of 1	1 of 1
Jill Easterbrook	11 of 11	-	4 of 5	1 of 1	1 of 1
Barry Franks	1 of 1	-	-	0 of 1	-

* Denotes Directors who attended Board Committee meetings during the year by invitation.

In advance of their meetings, the Board is provided with an agenda and all relevant documentation, reports and financial information in a timely manner to assist them in the discharge of their duties and to ensure that decisions are well informed and made in the best interests of the Group. No one Board member has the power to make a decision without the sanction of the other members. If any member is unable to attend a Board meeting, they have the opportunity to discuss any agenda items with the Chairman before the meeting.

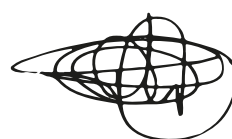
The Board is supported by a dedicated and experienced Operating Board and Senior Management Team in the delivery and execution of their objectives.

Shareholder engagement

The Board is fully committed to open and constructive engagement with shareholders and, during the year, the Executive Directors carried out two investor roadshows to present to major existing and potential shareholders and to gain an understanding of their views. Furthermore, the Board fully appreciates the importance of private shareholders and their need for reasonable information and engagement. Therefore, the Board continues to engage

Equity Development Limited to provide regular, publicly available research notes on the Group (also posted to the Group's website) along with video interviews and hosting webinars to present results and trading statements.

The Company is considerate of the views of its major shareholders and commits to providing an accessible, professional approach and provision of timely and accurate data in its interactions with its shareholders. To ensure that the whole Board develop an understanding of the views of major shareholders about the Company, feedback is provided to the Board following shareholder contact and this understanding will continue to be developed going forward. All shareholders are entitled to attend the AGM and can lodge their votes by way of proxy and/or to attend such meetings in person. They also have the opportunity to ask questions of the Board, including the Chairs of the Board Committees and to meet informally with the Directors to discuss any issues they may wish to raise.



James McCarthy
Chairman
1 November 2021

AUDIT AND RISK COMMITTEE REPORT

Introduction

The Audit and Risk Committee assists the Board in discharging its responsibilities with regard to financial reporting, internal controls and risk management, the internal and external audit process and auditors, including reviewing and monitoring the integrity of the Group's annual and half-yearly Financial Statements and the processes for compliance with laws, regulations and ethical codes of practice.

Governance

The Audit and Risk Committee's Terms of Reference are published on the Group's website and were reviewed during the year. At 31 July 2021, the Audit and Risk Committee comprised three Independent Non-Executive Directors; Robbie Bell and Alan Rigby both served throughout the year, whilst former PwC partner Christine Adshead joined on 21 September, only strengthening the Committee further. The Board is satisfied that Robbie Bell has recent and relevant financial experience, as required by provision 24 of the Code and has determined that the current composition of the Audit and Risk Committee as a whole has competence relevant to the sector in which the Company operates. Biographical details relating to each of the Audit and Risk Committee members are shown on page 48.

The Audit and Risk Committee has met six times during the year and three further meetings have been held since the year end. The meetings are attended by all of the Audit and Risk Committee members and, by invitation, the Chief Financial Officer and other senior employees of the Group, along with representatives from the external auditors. Attendance of members is shown in the table on page 52. In addition, the Audit and Risk Committee has also met with the external auditor without the Executive Directors present.

As referred to on page 49, the performance and effectiveness of the Audit and Risk Committee was evaluated by the Board during the year and was found to be functioning in an effective manner, performing satisfactorily, with no major issues identified.



Robbie Bell, Chair of the Audit and Risk Committee



Role and responsibilities

The primary role of the Audit and Risk Committee is to assist the Board in fulfilling its oversight responsibilities. This includes:

- monitoring the integrity of the annual and interim Financial Statements and formal announcements relating to the Group's financial performance, and reviewing any significant financial reporting estimates, judgements and disclosures that they contain;
- if requested by the Board, providing advice on whether the Annual Report and Accounts are fair, balanced and understandable;
- reporting to the Board on the appropriateness of the Group's accounting policies and practices;
- if requested by the Board, ensuring that a robust assessment of the principal risks facing the Company is undertaken and providing advice on the management and mitigation of those risks;
- reviewing and monitoring the effectiveness of the Group's internal control and risk management systems;
- whilst the Group has no internal audit function, considering at least annually the need for an internal audit function, reporting its recommendation and reasons thereof to the Board;
- making recommendations to the Board in relation to the appointment and removal of the external auditor and approving its remuneration and terms of engagement;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process;
- reviewing the policy on the engagement of the external auditor to supply non-audit services;
- reviewing and monitoring the appropriateness of the Group's whistle-blowing and anti-bribery procedures; and
- reporting to the Board on how it has discharged its responsibilities.

Activities of the Audit and Risk Committee

During the year and the period to the date of this report, the Audit and Risk Committee has:

- reviewed and discussed with the external auditor the key accounting considerations, estimates and judgements reflected in the Group's results for the six-month period ended 31 January 2021;

- reviewed and agreed the external auditor's audit strategy memorandum in advance of its audit for the year ended 31 July 2021;
- reviewed the non-audit services provided to the Group by the external auditor and assessed its independence and objectivity;
- agreed the terms of engagement and fees to be paid to the external auditor for the audit of the 2021 Financial Statements;
- received and reviewed reports from management regarding their approach to key accounting considerations, estimates and judgements in the Financial Statements for the year ended 31 July 2021;
- discussed the report received from the external auditor regarding its audit in respect of the year ended 31 July 2021;
- reviewed the half-year and full-year Financial Statements;
- considered the Group's principal and emerging risks, together with the processes for mitigating these risks and assigning appropriate actions with reference to the external environment;
- discussed and considered the Group's exposure to the risk of fraud, including the safeguards in place to mitigate this risk;
- reviewed and approved the Group's viability statement, including the approach and assumptions taken, giving consideration to key risks;
- discussed and agreed the nature and scope of the review and assessment of the Group's internal control framework;
- reviewed the effectiveness of the Group's internal control systems, including reviewing the key control cycles and reviewing the results of substantive testing of key internal controls;
- considered the effectiveness of the Group's IT Security in relation to cyberattacks; and
- considered the appropriateness of the Group's foreign exchange hedging strategy; and
- noted the increase in environmental and climate related disclosures that will impact FY 22 and will be addressed in conjunction with the ESG Committee.

At the request of the Board, the Audit and Risk Committee also considered whether the Annual Report and Accounts for the year ended 31 July 2021, taken as a whole, are fair, balanced and understandable and provide the information

necessary for shareholders to assess the Group's position and performance, business model and strategy. Following enquiry into and discussion of management's processes in this regard, along with consideration of the draft Annual Report and Accounts, the Audit and Risk Committee recommended to the Board that it could make the required disclosure as set out in the Directors' Responsibilities Statement on pages 89.

Significant issues

The significant matters and key accounting estimates considered by the Audit and Risk Committee during the year were:

Significant issues	How the issue was addressed
Revenue recognition The Group has various revenue streams which have different recognition policies. The Audit and Risk Committee sought assurance that the Group's revenue recognition policy was appropriate and that it had been consistently applied throughout the period.	The Audit and Risk Committee reviewed and assessed management's key internal controls in relation to the recording of revenue and were satisfied that the Group's revenue recognition policy had been applied consistently throughout the year. Having also liaised with the external auditors, the Audit and Risk Committee was satisfied that revenue was correctly recognised.
Customer rebates and discounts Estimation is required in the determination of the rebates and discounts provision at the year end and the resultant reduction in revenue. Estimates are required as there are not always formal agreements in place and calculations can be complex, with varying criteria, such that estimation is required.	The Audit and Risk Committee has reviewed and challenged management on the approach taken to determining the level of provision required for rebates and discounts. Having also liaised with the external auditors, the Audit and Risk Committee was satisfied with the approach taken and the level of provision included within the Financial Statements.
Inventory Inventory is a significant asset on the balance sheet and contains a significant element of 'free stock' (i.e. not held specifically against customer orders or call-off demand forecasts). The stock provision is complex and requires a substantial level of estimation. In addition, estimation is applied in determining the amount of overhead to be absorbed into stock.	The Audit and Risk Committee has reviewed and considered the inventory provisioning policy, including a review of indicators of inadequate provisioning. From this review it was satisfied that the approach taken is both consistently applied and based upon system data and management's best estimates given their knowledge of the business. Overhead absorption rates are reviewed annually. Having considered reports from management on the methodology applied, and having also liaised with the external auditors, the Audit and Risk Committee was satisfied that the level of overhead absorption was appropriate.
Accounting for the acquisition of Salter Brands Limited During the year, the Group completed the acquisition of Salter Brands Limited. The accounting treatment for this significant transaction involved a number of inherent complexities, including the identification and valuation of separable intangible assets.	Management appointed external advisors to advise on the correct accounting treatment of and disclosures for this business combination, including obtaining an expert valuation of the separable intangible assets. Having also liaised with the external auditors, the Audit and Risk Committee was satisfied that the acquisition was correctly accounted for and that the Annual Report contained adequate disclosure.





Review of risk management and internal financial controls

The Audit and Risk Committee has conducted a robust assessment of the principal risks faced by the business and the mitigating factors in force, along with a review of the internal financial controls, including those that would threaten its business model, future performance, solvency or liquidity.

The Group maintains a register of principal risks faced by the business, as determined by discussions with Executive and Non-Executive Directors and members of the Senior Management Team. Once identified, risks are assessed by the Audit and Risk Committee according to their likelihood, potential impact and time horizon. Risks are reassessed based on the strength of mitigating controls in place and an appropriate risk response is determined. The risks are subject to ongoing monitoring and review by both the Board and the Audit and Risk Committee, including an update on the movements in impact and likelihood of each and progress on mitigating actions. The principal risks and uncertainties of the Group and their mitigation are included on pages 21 to 24 and the crystallisation of these risks has been considered in the Viability Statement on page 25 and the Going Concern assessment on pages 20, 87, 108 and 115 to 116.

The Group's financial reporting process is underpinned by the established system of internal financial controls and review procedures that form part of the monthly Group reporting process. The procedures are well established and incorporate a thorough review of performance, supported by appropriate segregation of duties and defined approval processes to minimise the risk of misappropriation.

Each year, the review and assessment of the Group's internal control framework is planned and prioritised taking account of any developments during the year, the business's key risks as identified by the risk register, and through discussion with the external auditor regarding those areas presenting the most significant risk of misstatement. Accordingly, during the year, the Group's internal control cycles were reviewed and key controls were identified and tested.

The Group's risk management and internal control systems have been in place throughout the financial year and up to the date of approval of the Annual Report and Financial Statements. The Audit and Risk Committee is satisfied that the internal financial controls have operated effectively for the period under review and to the date of the Annual Report and Financial Statements.

Audit and Risk Committee Report

Internal audit

The Audit and Risk Committee is responsible for monitoring and reviewing the effectiveness of the systems established to identify, assess, manage and monitor financial risk.

The Group does not have an internal audit function. During the year and the period to the date of this report, the Audit and Risk Committee reviewed the results of the internal control cycles and concluded that the controls employed are appropriate, functioning as intended and sufficient for the size and nature of the Group.

The Audit and Risk Committee will continue to review, on an ongoing basis, whether the Group's size and activities are such that an internal audit function should be established in the future.

External audit

BDO LLP has been the Group's auditor since 2016 and the senior statutory auditor is Gary Harding, who has been in place since November 2016. The Audit and Risk Committee considers that the auditor's knowledge of the Group's business and systems gained through experience has contributed to the effectiveness of the audit process.

In relation to the audit for the year ended 31 July 2021, the Audit and Risk Committee noted that cash balances and journals are generally an area of greater fraud risk within the Financial Statements. They therefore asked BDO LLP to report their findings specifically on these areas in their report to the Audit and Risk Committee to ensure that they were aware of any findings identified in these areas and any appropriate actions could be taken if required.

The Audit and Risk Committee intends to comply fully with the FRC Audit and Risk Committee Guidance regarding the frequency of audit tender and there is currently no plan to tender the audit for the year ending 31 July 2022.

The independence and objectivity of the auditor is regularly considered by the Audit and Risk Committee, taking into consideration relevant UK professional and regulatory requirements. The Audit and Risk Committee reviews an annual statement from the auditor detailing their independence policies and safeguards and confirming their independence, taking into account relevant ethical guidance regarding the provision of non-audit services by the external auditor. The Audit and Risk Committee has considered and approved the terms of engagement and fees of the external auditor for the year ended 31 July 2021. Audit fees payable by the Group to BDO LLP and its international network in the year ended 31 July 2021 totalled £90,000 (2020 – £68,000). There were no contingent fee arrangements.

The Audit and Risk Committee reviewed the level of non-audit services and fees provided by BDO LLP. For the year ended 31 July 2021, these totalled £87,000 (2020 – £12,000) of which £13,000 (2020 – £12,000)

related to half-year assurance services and a further £74,000 (2020 – £Nil) related to corporate finance services associated with the acquisition of Salter Brands Limited. Of the corporate finance fees, £66,000 related to permitted services which fall outside of the 70 % permitted fee cap. The ratio of audit fees to non-audit fees, in total, for the year ended 31 July 2021 is 1:1 and if the permitted fees for non-audit services are excluded the ratio becomes 1:4.3.

The Audit and Risk Committee is required to consider and review the effectiveness of the external auditor on an annual basis and report its findings and recommendations to the Board. The assessment of effectiveness was completed by means of an ongoing process of review throughout the year with the Audit and Risk Committee seeking assurances and understanding of the auditor's approach to the audit. In particular, the Audit and Risk Committee reviewed and approved the external auditor's plan for undertaking the half-year review and year-end audit, including the scope of their work and their proposed approach to key risk areas identified. The Audit and Risk Committee also reviewed the detailed reports prepared by the external auditor setting out their findings from the half-year review and year end audit. This approach was supplemented by the completion of a questionnaire by the members of the Audit and Risk Committee and senior members of the finance team involved in the audit, which included consideration of the audit partner and team, as well as approach and communication. The results were reported to and discussed by the Audit and Risk Committee.

Taking into account the review of the effectiveness, the independence and the length of tenure of the auditors, the Audit and Risk Committee recommends that a resolution for the reappointment of BDO LLP as the Company's auditor should be proposed at the forthcoming AGM.



Robbie Bell
Chair of the Audit and Risk Committee
1 November 2021





**Alan Rigby, Chair of the
Remuneration Committee**

REMUNERATION COMMITTEE REPORT

Letter from the Chair of the Remuneration Committee

Introduction

As Chair of the UP Global Sourcing Holdings plc Remuneration Committee and on behalf of the Board of Directors, I am very pleased to present our report on remuneration for FY 21.

The first part of this report contains our Remuneration Policy, which was approved by shareholders at the December 2020 AGM. The policy seeks to ensure that the Group's executives remain aligned with the long-term interests of all of the Group's stakeholders and the Committee is satisfied that the Remuneration Policy has operated as intended in terms of performance and quantum in FY 21.

The second part of this report describes the remuneration of Directors in 2021. The report complies with the relevant provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulation 2008 (as amended). The report has also been prepared in line with the recommendations of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules, as well as with due consideration to guidance provided by investors including the Investment Association's Principles of Remuneration.

As always, I would like to take the opportunity to thank our shareholders for continuing to provide their valued input and comments on the Group's approach to remuneration. The Remuneration Committee continues to invite shareholders to share their views on Group's policies and procedures on remuneration and attaches significant weight to the views of investors.

Whilst the COVID-19 pandemic has restricted our ability to meet in person, the Remuneration Committee has continued to meet regularly by video conference, holding six meetings during FY 21.

“The Committee’s view is that the remuneration of Executive Directors should be competitive without being excessive, aligned with the Group’s corporate strategy and, in the case of variable remuneration, be accompanied by stretching and relevant performance conditions focused on delivering shareholder value.”

This year the Committee has been bolstered with the addition of Jill Easterbrook, who brings extensive remuneration and governance experience, including from her current roles as Chair of the Remuneration Committee at Auto Trader Group plc and Remuneration Committee member at Ashted Group plc. The decision to expand the number of Directors on the Committee from three to four illustrates the importance that the Board places on ensuring that its remuneration arrangements are appropriate and in line with the highest standards of corporate governance. All Committee members have shown considerable commitment over the past year and I thank them for their continued valuable contributions to all remuneration matters.

Our approach to remuneration

The Committee’s view is that the remuneration of Executive Directors should be competitive without being excessive, aligned with the Group’s corporate strategy and, in the case of variable remuneration, be accompanied by stretching and relevant performance conditions focused on delivering shareholder value. We have continued to apply this ethos in FY 21.

The Committee has the strong backing and understanding of the Executive Directors in this approach, who respect the independence of the Remuneration Committee whilst providing support whenever this is required.

Context and key remuneration committee decisions on remuneration

The Remuneration Committee commissioned RSM to provide an independent benchmarking review of the base salaries of the individual Executive Directors and, following consideration of this report, the Committee determined that, with the pay review initially scheduled for March 2020 having been postponed and subsequently cancelled due to the uncertainty created by the COVID-19 pandemic, an increase of 2 % per annum was appropriate for the Executive Directors, effective from 1 March 2021. Further detail on this process is provided later in this report. The Remuneration Committee notes that the average pay increase across the business in the year was 4.9 %.

In addition, the Board commissioned RSM to produce a similar independent benchmarking

review of the fees payable to the Non-Executive Directors and subsequently considered the level of those fees on the same basis, and as a result the Board increased the base fees payable to the Non-Executive Directors for their services from £40,000 to £42,000 per annum. No changes were made to the fees payable to the Non-Executive Directors for their additional responsibilities.

Having postponed awards in FY 20 due to the COVID-19 pandemic, the Committee was pleased to resume the making of PSP and SAYE awards in December 2020. These awards included one of the Executive Directors but extend to a much wider group of employees (20 awards were made under the PSP) and, in the case of the SAYE, are extended to all staff eligible under HMRC’s rules with at least 12 months of service, allowing the workforce to share in the long-term sustainable success of the business. These awards were considered by the Committee to be fully deserved by employees given their exceptional efforts during FY 21 in what were at times difficult circumstances. The Committee believes that participation in these plans increase alignment between employees and shareholders and is pleased that so many of the Group’s employees are able to share in the fruits of their labour alongside the Company’s investor base. As in previous years, the Chief Executive Officer and Managing Director informed the Committee that they did not wish to be considered for awards under the Group’s long-term incentive plans and that these should instead be focused on the wider leadership group (for the PSP) and the workforce as a whole (in the case of the SAYE); the Committee notes and is thankful for their support in this matter.

The Committee once again set stretching performance targets for the Executive Directors’ annual bonuses for FY 21. The Executive Directors rose to this challenge and the Committee recognises their exceptional performance in the period, overcoming significant challenges to deliver a strong set of results for shareholders. As a result, the EBITDA performance condition (which acts as an underpin in addition to a target) was satisfied for FY 21 and as such the Remuneration Committee awarded annual bonuses to Executive Directors for the year; further detail on the assessment of the performance conditions is contained on page 75 and 76.



The Remuneration Committee recognises that its remit extends beyond the remuneration of the Executive Directors, and wishes to ensure that the highest standards of governance and best practice are applied to remuneration arrangements across the Group. To this end, the Company adopted a Senior Management Remuneration Policy during FY 20 for senior individuals below Board level. This policy, which abides by many of the same principles found in the Directors' Remuneration Policy, will help the Committee ensure that remuneration in the wider leadership group is managed effectively in a way that incentivises and motivates employees whilst protects the interests of shareholders and the long-term success of the Company.

The Group's Employee Consultation Group (ECG), which was formed in FY 20 has continued to operate effectively in FY 21 and its views are given serious consideration by the Committee, submitting its minutes along with at least two papers per year to the Board. The Committee considers that the ECG, is the most effective means of conducting engagement with the workforce on remuneration matters and in the event that areas of concern relating to the remuneration of Directors or the workforce were raised by the ECG the Committee would engage with the ECG to discuss these concerns; no such concerns were raised in FY 21 and therefore no discussions of this nature were held by the Committee. The Committee has also conducted a high-level review of employee remuneration across the workforce on two occasions in FY 21, in December 2020

and June 2021, attempting to ensure consistency and fairness of approach in relation to staff pay and bonuses.

The Board recognises that the entire employee base has contributed significantly to the Group's performance in the year, and as such the Committee was delighted to consider and approve a special COVID-19 employee bonus award in December 2020. This one-off payment was made in recognition of the valiant effort made by the Group's employees to help and support the business and its local communities through the COVID-19 pandemic. In accordance with the Directors' Remuneration Policy, participation in this bonus was not extended to Directors.

Minor changes were made to the Committee's Terms of Reference during FY 21 to ensure continued compliance with applicable regulation and guidance.

As ever, I would encourage all of our shareholders to discuss any aspect of this report, or our approach to remuneration in general, with me at any time.



Alan Rigby
Chair of the Remuneration Committee
1 November 2021



REMUNERATION COMMITTEE REPORT

Remuneration Policy

1. Introduction

UP Global Sourcing Holdings plc's ('Ultimate Products' or the 'Group') Executive Remuneration Policy is intended to enable the Group to attract, retain and motivate the Executive Directors and other senior executives necessary to achieve the Group's annual goals and long-term purpose, values and strategy and deliver sustainable shareholder value. The Ultimate Products Remuneration Committee (the 'Remuneration Committee') believes that:

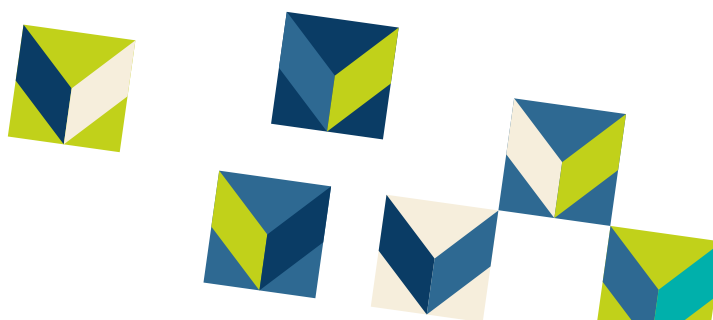
- individuals should be properly rewarded where justified by the Group's financial performance and their personal contribution;
- the Group should pay no more than is necessary on remuneration;
- remuneration packages should be constructed so as to include stretching performance objectives linked to the long-term success and strategy of the Group; and
- remuneration structures should discourage the taking of excessive risk that is not aligned with the long-term interests of shareholders.

The Ultimate Products Executive Remuneration Policy (the 'Remuneration Policy') has been designed to comply with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the UK Listing Authority's Listing Rules. Due consideration has also been given to the recommendations of the UK Corporate Governance Code and to guidance provided by investors including the Investment Association's Principles of Remuneration. The Company's current Remuneration Policy was approved by Shareholders at the 2020 Annual General Meeting and is intended to operate for a three-year term. The Group will only make remuneration payments to current or prospective Directors, or payments for loss of office if the payment is in line with the Remuneration Policy. If the Remuneration Committee wishes to change the Remuneration Policy within this period, or is required to do so, it will submit a revised Remuneration Policy to shareholders for approval.

2. Summary Of Components Of Executive Directors' Remuneration

Fixed remuneration: salary

Element, purpose and link to strategy	To provide an appropriate amount of basic fixed income to enable the recruitment and retention of individuals who can facilitate the achievement of the Group's strategy.
Operation	<p>The Remuneration Committee reviews base salaries on an annual basis, taking into account:</p> <ul style="list-style-type: none"> • absolute and relative Group profitability; • any changes to the scope of each role and its responsibilities; • any changes to the size and complexity of the Group; • salaries in comparable organisations; • pay increases elsewhere in the Group; and • the impact of any increases to base salary on the total remuneration package.





Fixed remuneration: salary cont'd

Maximum opportunity	<p>The Remuneration Committee has set no overall maximum on salary increases, as it believes that this creates an anchoring effect for Executive Directors and other employees.</p> <p>In most circumstances, salary increases for Executive Directors will not exceed the average increase awarded to other employees in the Group. Increases above this level will only be granted in exceptional circumstances including (without limitation):</p> <ul style="list-style-type: none"> • a material increase to the responsibilities attaching to a role; • a material increase in the scope of a role; • a promotion to a different role; • where a salary has fallen out of step with market norms; or • where an Executive Director has been recruited on a below-market salary and the Remuneration Committee is gradually transitioning that person to a market rate. <p>In considering any increases to salary for Executive Directors, the Remuneration Committee shall carefully consider the impact of such changes on associated indirect costs including pension contributions.</p>
Performance measures	<p>None, although the Remuneration Committee takes into account individual performance, skills and experience when setting and reviewing salaries.</p>

Fixed remuneration: benefits

Element, purpose and link to strategy	<p>To provide market-competitive and cost-effective benefits to attract and retain suitable Executive Directors and where appropriate, assist an Executive Director in the performance of his or her duties.</p>
Operation	<p>The Group provides a range of benefits to its Executive Directors in line with market norms. These currently include the provision of a company car (or a car allowance), sick pay and private medical insurance for the Executive Director and his or her spouse and dependent children. Other than in respect of the Chief Executive Officer, for whom a life assurance policy with critical illness cover is provided, the Group does not currently provide life assurance or permanent health insurance to Executive Directors. However, the Remuneration Committee notes that the provision of such benefits is common at comparable companies and if the Remuneration Committee in future determines that such provision is necessary to attract or retain suitable Executive Directors, then it may elect to provide these to one or more of the Executive Directors.</p> <p>The Group reimburses reasonable work-related expenses to Executive Directors, such as business travel and subsistence whilst on work trips, or expenses incurred in the performance of their duties along with any tax liabilities that may arise.</p> <p>Any additional benefits provided to Executive Directors are reviewed by the Remuneration Committee and approved only if reasonable, in line with good market practice and obtainable at a proportionate cost.</p> <p>For Executive Directors based outside of the UK, the Remuneration Committee may consider providing additional allowances where this is in line with local market practice and expectations and is necessary in order to recruit or retain suitably skilled individuals.</p>
Maximum opportunity	<p>The maximum opportunity will depend upon the cost of providing the relevant benefits and individual's personal circumstances. The Remuneration Committee has full regard to the cost of providing any benefits and is committed to only providing benefits that are in line with market practice, cost-effective for the Group and appropriate to the requirements of a specific role or individual.</p>
Performance measures	<p>None.</p>

Remuneration Committee Report

Fixed remuneration: retirement provision

Element, purpose and link to strategy	To provide an income for Executive Directors in their retirement and enable the Group to recruit and retain suitable individuals by aligning their overall package with those offered by competitors for talent.
Operation	The Group operates a defined contribution pension plan in which the Executive Directors are eligible to participate and may provide contributions to the Executive Directors' personal pension arrangements or a cash allowance in lieu of pension contributions.
Maximum opportunity	<p>The Executive Directors currently receive 12 % of basic salary as a contribution to their pension arrangements (or as an equivalent cash allowance).</p> <p>For newly appointed Executive Directors, the contribution level (or payments in lieu) will be aligned with those available to the Group's broader workforce, other than in exceptional circumstances.</p>
Performance measures	None.

Variable remuneration: annual bonus plan

Element, purpose and link to strategy	To incentivise Executive Directors to deliver the Group's corporate strategy by focusing on annual goals that are consistent with longer-term strategic objectives and rewarding the delivery of exceptional performance.
Operation	<p>Annual bonus targets are reviewed and set on an annual basis to ensure that they:</p> <ul style="list-style-type: none"> align with the Group's long-term strategy; are focused on the Group's immediate strategic priorities; are appropriate given broader market conditions; and remain stretching. <p>Pay-out levels are determined by the Remuneration Committee after the year end, based upon a rigorous assessment of performance against the targets.</p> <p>To further align the interests of Executive Directors with those of shareholders, bonuses will be paid 70 % in cash, with 30 % deferred into shares that vest in three equal tranches after one, two and three years.</p> <p>To hedge against share price increases and avoid dilution, the deferred element of the bonus is used to purchase shares in the market; these are then held by an employee benefit trust until vesting. The value of any dividends during the deferral period will be payable to the Executive Directors upon vesting.</p> <p>In exceptional circumstances, the Remuneration Committee may determine that the deferred element of the bonus is to be held as cash rather than shares, where the Remuneration Committee considers that such alternative arrangements would be in the best interests of the Group and its shareholders, for example, if the acquisition of further shares by an Executive Director would trigger a mandatory offer under Rule 9 of the City Code on Takeovers and Mergers.</p> <p>Malus provisions apply for the duration of the performance period and to shares or cash held under the deferral arrangements, allowing the Remuneration Committee to reduce to zero any unvested or deferred awards.</p> <p>Clawback provisions apply to cash amounts paid and shares or cash released for three years following payment or release (as the case may be), allowing the Remuneration Committee to claim back all or part of any amount paid or released.</p>
Maximum opportunity	The maximum annual bonus opportunity that can be earned for any year is capped at 100 % of base salary in the case of the Chief Executive Officer and Managing Director and 80 % of base salary in the case of any other Executive Director.

Variable remuneration: annual bonus plan (cont'd)

Performance measures	<p>An annual bonus opportunity of up to:</p> <ul style="list-style-type: none"> • 80 % of base salary in the case of the Chief Executive Officer and Managing Director; and • 60 % in the case of any other Executive Director, <p>may be granted by the Remuneration Committee, such bonus to be conditional upon the achievement of an EBITDA-based target and such other financial target (if any) as the Remuneration Committee considers appropriate (subject always to an EBITDA underpin).</p> <p>An annual bonus opportunity of up to a further 20 % of base salary may be granted by the Remuneration Committee, such bonus to be conditional upon the achievement of stretching, specific and measurable strategic and/or individual objectives.</p> <p>Irrespective of the achievement of the strategic and/or personal targets, no part of the bonus shall be payable unless a threshold level of the EBITDA-based target is achieved.</p> <p>Achievement of the maximum level of vesting will require significant financial out-performance above the budget set for the year, with full vesting requiring performance 30 % above target EBITDA levels.</p> <p>In determining whether the performance measures have been satisfied, the Remuneration Committee shall take account of the extent to which the measured outcome reflects overall corporate performance and the experience of the shareholders of the Company in terms of value creation. Where the Remuneration Committee is of the opinion that the formulaic application of any performance measure produces an outcome that is unjust to the Company, its shareholders or the Executive Director it shall be entitled, acting in its absolute discretion, to make such adjustments as it sees fit to its determination of whether (and, if relevant, to what extent) the performance measure has been satisfied, at all times having due regard to the interests of shareholders of the Company. The Remuneration Committee shall not exercise any such discretion to the material advantage of an Executive Director other than in exceptional circumstances and following consultation with key shareholders. The Remuneration Committee is of the opinion that, given the commercial sensitivity of the detailed performance measures used for the annual bonus plan, disclosing precise targets in advance would not generally be in the interests of the Group or its shareholders. Actual targets, performance levels achieved, and the resulting payments made will therefore be disclosed, in most circumstances, retrospectively at the end of the performance period.</p> <p>Malus and/or clawback provisions may be triggered in the following scenarios:</p> <ul style="list-style-type: none"> • the Executive Director has participated in or was responsible for conduct which resulted in significant losses to a Group company; • the Executive Director has failed to meet appropriate standards of fitness and propriety; • the Remuneration Committee has reasonable evidence of fraud or material dishonesty by the Executive Director; • the Company has become aware of any material wrongdoing on the part of the Executive Director; • the Executive Director has acted in any manner which in the opinion of the Committee has brought or is likely to bring any Group company into material disrepute or is materially adverse to the interests of any Group company; • there is a breach of the Executive Director's employment contract that is a potentially fair reason for dismissal; • the Executive Director is in breach of a fiduciary duty owed to any Group company; • an Executive Director who has ceased employment was in breach of their employment contract or fiduciary duties in a manner that would have prevented the grant or release of an award had the Remuneration Committee been aware (or fully aware) of that breach, and of which the Remuneration Committee was not aware (or not fully aware) at the relevant time; • there was a material error in determining whether an award should be made or in determining the size and nature of the award or in assessing the extent to which any performance measure was satisfied; • a Group company misstated any financial information for any part of any year that was taken into account in determining whether an award should be made or in determining the size and nature of such award or assessing the extent to which any performance measure was satisfied; or • a Group company or business unit that employs or employed the Executive Director, or for which the Executive Director is or was responsible, has suffered a material failure of risk management.
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Variable remuneration: performance share plan (PSP)

Element, purpose and link to strategy	To incentivise Executive Directors to focus on the long-term strategic objectives of the Group and to deliver sustainable shareholder value, aligning their interests with the interests of shareholders.
Operation	<p>Awards may be granted annually under the PSP and will consist of rights over shares, calculated as a percentage of base salary.</p> <p>Vesting is subject to the Group's performance, measured over three years and is currently followed by a holding period in respect of 40 % of the vested shares, of which one half are released after a one-year holding period and one half after a two-year holding period.</p> <p>For future PSP awards the vesting and holding profile shall be amended such that vesting continues to be measured over three years. 60 % of vested shares shall be subject to a holding period. 20 % of the vested shares shall be released each year for a further three years.</p> <p>Any shares purchased to satisfy PSP awards will be held by an employee benefit trust until vesting.</p> <p>Dividend equivalents are payable in respect of the shares that vest.</p> <p>Malus provisions apply for the duration of the performance period and shares held under the deferral arrangements, allowing the Remuneration Committee to reduce to zero any unvested or deferred awards.</p> <p>Clawback provisions apply until two years after the date upon which any entitlement becomes unconditional, allowing the Remuneration Committee to claim back all or part of the value of any shares vested.</p> <p>Awards may be structured as nil cost options, market value options, conditional awards of shares or may be delivered through a joint share ownership plan structure, as the Remuneration Committee considers being most appropriate in the circumstances.</p> <p>Senior employees and other employees identified as key to the business who are not Executive Directors may be invited to participate in the PSP at the discretion of the Board.</p>
Maximum opportunity	<p>The maximum PSP award opportunity per Executive Director, in respect of any financial year, is limited to rights over shares with a market value at grant of 100 % of base salary.</p> <p>No Executive Director granted an award under the MIP (see below) may be granted an award under the PSP prior to 1 August 2018.</p>





Variable remuneration: performance share plan (PSP) cont'd

Performance measures	<p>The vesting of all awards made under the PSP is dependent upon performance conditions based upon:</p> <p>EPS growth (50 % weighting) and up to two strategic or individual objectives (up to a maximum of 25 % weighting each).</p> <p>The Remuneration Committee believes the chosen metrics are suitably aligned with the Group's strategy and are focused on delivering long-term growth and shareholder return.</p> <p>25 % of an award vests for threshold performance. 100 % of an award vests for stretch performance. For performance between the threshold and maximum, an award vests on a straight-line basis.</p> <p>In determining whether the performance measures have been satisfied, the Remuneration Committee shall take account of the extent to which the measured outcome reflects overall corporate performance and the experience of the shareholders of the Company in terms of value creation. Where the Remuneration Committee is of the opinion that the formulaic application of any performance measure produces an outcome that is unjust to the Company, its shareholders or the Executive Director it shall be entitled, acting in its absolute discretion, to make such adjustments as it sees fit to its determination of whether (and, if relevant, to what extent) the performance measure has been satisfied, at all times having due regard to the interests of shareholders of the Company. The Remuneration Committee shall not exercise any such discretion to the material advantage of an Executive Director other than in exceptional circumstances and following consultation with key shareholders.</p> <p>The Remuneration Committee is of the opinion that, given the commercial sensitivity of the detailed performance measures used for the PSP, disclosing precise targets for those conditions would often not be in the interests of the Group or its shareholders.</p> <p>Actual targets, performance levels achieved, and the resulting payments made will therefore generally be disclosed retrospectively at the end of the performance period, unless the Remuneration Committee considers that any particular targets are not commercially sensitive.</p> <p>Malus and/or clawback provisions may be triggered in the following scenarios:</p> <ul style="list-style-type: none"> the Executive Director has participated in or was responsible for conduct which resulted in significant losses to a Group company; the Executive Director has failed to meet appropriate standards of fitness and propriety; the Remuneration Committee has reasonable evidence of fraud or material dishonesty by the Executive Director; the Company has become aware of any material wrongdoing on the part of the Executive Director; the Executive Director has acted in any manner which in the opinion of the Committee has brought or is likely to bring any Group company into material disrepute or is materially adverse to the interests of any Group company; there is a breach of the Executive Director's employment contract that is a potentially fair reason for dismissal; the Executive Director is in breach of a fiduciary duty owed to any Group company; an Executive Director who has ceased employment was in breach of their employment contract or fiduciary duties in a manner that would have prevented the grant or release of an award had the Remuneration Committee been aware (or fully aware) of that breach, and of which the Remuneration Committee was not aware (or not fully aware) at the relevant time; there was a material error in determining whether an award should be made or in determining the size and nature of the award or in assessing the extent to which any performance measure was satisfied; a Group company misstated any financial information for any part of any year that was taken into account in determining whether an award should be made or in determining the size and nature of such award or assessing the extent to which any performance measure was satisfied; or a Group company or business unit that employs or employed the Executive Director, or for which the Executive Director is responsible, has suffered a material failure of risk management.
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Variable remuneration: management incentive plan (MIP) – (existing awards)

Element, purpose and link to strategy	To reward and incentivise key employees through the IPO process and motivate them to deliver successful post-IPO performance for investors.
Operation	<p>Awards under the MIP were made to the Executive Directors and other senior executives immediately prior to the IPO, as disclosed in the IPO prospectus.</p> <p>The Remuneration Committee is of the opinion that the MIP awards were an appropriate arrangement for the Group at the time of the IPO, but the MIP is not an optimal arrangement for ongoing use and as such, no further awards will be made under the MIP</p> <p>The awards made under the MIP vested in 2020. The first round of awards made under the PSP will vest in 2022 (with a proportion of the shares subject to a holding period until 2023 and 2024). The Remuneration Committee believes that this timetable of staged vesting ensures continued incentivisation of Executive Directors and will aid retention.</p>
Maximum opportunity	Holders of awards granted under the MIP are entitled, collectively, to 15 % of the Group's growth in value above a hurdle set at 30 % above Ultimate Products' IPO share price. The total aggregate value of the awards is capped at a value of 6.25 % of Ultimate Products' issued share capital on the date of the IPO.
Performance measures	None, other than Ultimate Products' share price growth exceeding the hurdle, as disclosed under the 'maximum opportunity' section of this table.

Variable remuneration: all-employee share plans

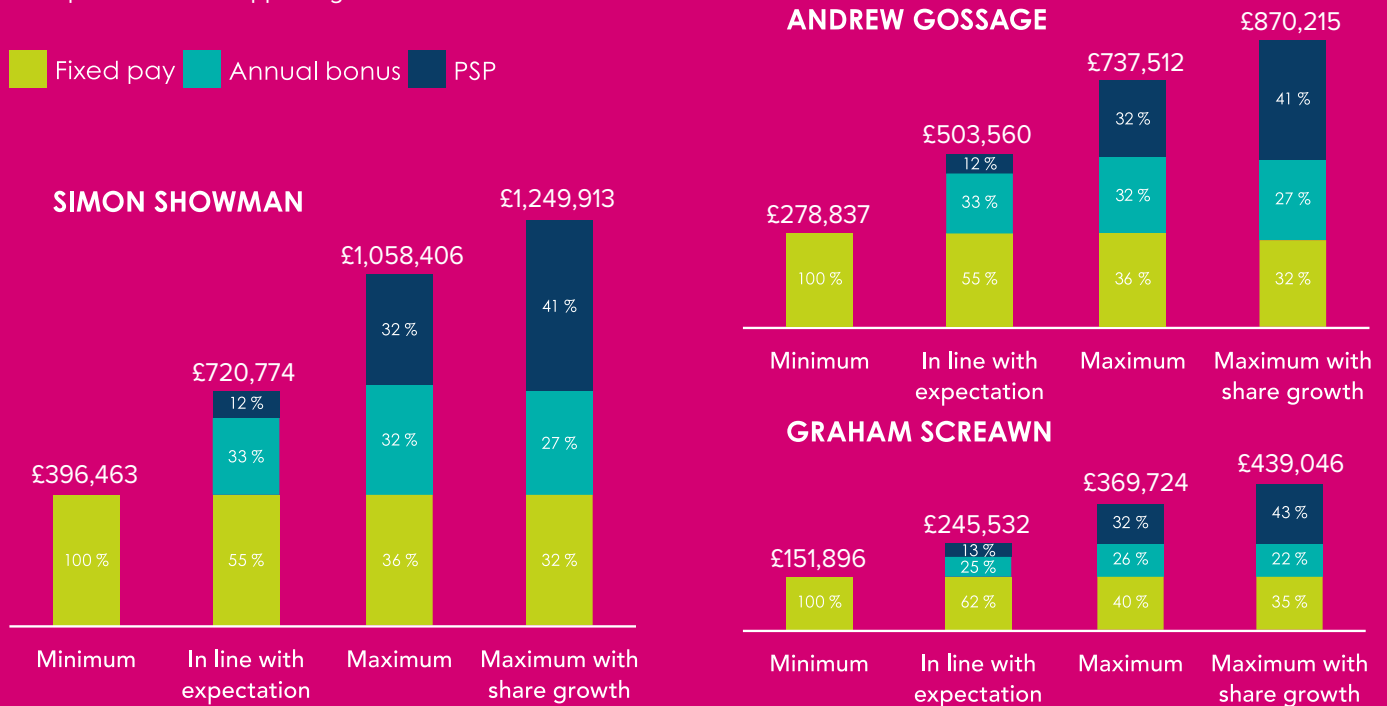
Element, purpose and link to strategy	To align the broader employee base with the interests of shareholders and aid recruitment and retention.
Operation	The Group operates an all-employee save-as-you-earn plan approved by HM Revenue & Customs under Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003. Executive Directors are, as required by the relevant legislation, entitled to participate on the same basis (and subject to the same maximums) as other Group employees.
Maximum opportunity	In line with HMRC limits in force from time to time.
Performance measures	None.

Other: shareholding guidelines

Element, purpose and link to strategy	To create alignment between the Executive Directors' interests and those of shareholders.
Operation	The Remuneration Committee expects all Executive Directors, within a period of five years from appointment, to build up a meaningful shareholding in Ultimate Products.
Maximum opportunity	<p>The Chief Executive Officer and the Managing Director will be required to build up interests in the Group's shares worth 250 % of base salary. All other Executive Directors will be required to build up interests in shares worth 125 % of base salary.</p> <p>The Remuneration Committee requires that all Executive Directors continue to comply with tapered shareholding requirements for two years following termination of their directorship, whereby they shall reduce their holding from the 250 % or 125 % of base salary level by no more than 50 % in year 1 and 50 % in year 2.</p>
Performance measures	None.

Illustrations of application of remuneration policy

The charts below illustrate the potential value of the remuneration packages for the Executive Directors under the scenarios as explained in the supporting table.



	Fixed Pay	Annual Bonus	PSP	SAYE
Minimum performance	Fixed elements of remuneration – base salary, car allowance, benefits and pension only. Base salary is as at 31 July 2021 and the value for benefits has been calculated as per the single figure table on page 72.	No bonus	No PSP vesting	No performance elements to the scheme. Each Director will receive a number of share options corresponding to the amount that they contribute to the scheme per month.
Performance in line with expectations		60 % of base salary for achieving target performance (40 % in respect of Graham Screawn).	25 % of the maximum share options will vest if performance is in line with the threshold target in each of the conditions. Between the threshold and the stretch target, the option shares will vest on a straight-line basis.	
Maximum performance		100 % of base salary for achieving maximum target performance (80 % in respect of Graham Screawn).	100 % of maximum award vesting if the stretch conditions are met.	
Maximum plus share price growth	As for Maximum above, but with the value of 50 % share price growth included within the PSP element.			

3. Statement of Consideration of Employment Conditions Elsewhere in the Group

In designing the Remuneration Policy and in making decisions in relation to the remuneration of Executive Directors pursuant to the Remuneration Policy, the Remuneration Committee has and will continue to take into account the remuneration of employees across the Group.

The Remuneration Committee and Executive Directors believe that the success of the Group in meeting its strategic objectives is highly dependent upon the talents and performance of the Group's wider employee base. The Group regularly reviews the remuneration of Group employees in a process led by the Group HR Director. In line with the policy of the Remuneration Committee towards the Executive Directors, the Group's policy is to set competitive pay levels that allow the Group to attract and retain the talent necessary to thrive, without paying more than is necessary in the markets in which it operates. The main pay review takes place in June of each year, with an extra 'hindsight' review in December of each year. The Group HR Director reports the results of the pay review to the Remuneration Committee.

Whilst the Remuneration Committee does not have a formal process for directly consulting employees on the remuneration of Executive Directors, it does take full account of the pay, benefits and employment conditions of the wider workforce when setting the remuneration of Executive Directors. In particular, the Remuneration Committee has determined that in most circumstances, salary increases for Executive Directors should not exceed the average increase awarded to other employees in the Group. Increases above this level will only be granted in exceptional circumstances, as set out in the policy table under Fixed Remuneration: Salary above.

The Group's Employee Consultation Group ('ECG'), which is chaired by the HR Director, is used as a formal communication channel between employees and the Board to communicate and consult on matters of importance, both to and from the employees, in a constructive manner. The ECG produces papers for the Board at least twice per year, which are discussed by the Board and responded to where required.

4. Statement of Consideration of Shareholders' Views

The Remuneration Committee actively welcomes the input of shareholders in respect of its remuneration policies and decisions and is committed to engaging in an open and transparent dialogue with shareholders in relation to executive remuneration.

In developing the revised Remuneration Policy, the Chairman of the Remuneration Committee sought the views and input of the Group's key shareholders. The Remuneration Committee considered all views expressed by shareholders in refining and developing the Remuneration Policy and will continue to engage with shareholders in the year ahead.

Shareholders have expressed a strong preference for the Committee to demonstrate transparency in all aspects of the operation of the Remuneration Policy, and the Committee remains committed to open and clear communication with its shareholders. The Committee agrees that such transparency is a legitimate interest of shareholders, and intends to provide maximum disclosure in all circumstances except where such disclosure would materially prejudice the interests of the Group.

As a listed company, Ultimate Products strives hard to build a long-term, two-way relationship with its investors and will consider their views in all areas of its business, including on the remuneration of its key employees.

5. Recruitment Remuneration

The Remuneration Committee will determine the remuneration of new Executive Directors in accordance with this Remuneration Policy, taking into account the individual's skills, experience and current remuneration package, together with the responsibilities attached to the role concerned.

Where the Remuneration Committee considers it appropriate to offer a below-market salary initially, for example where a recruit's current remuneration package is considerably below the market norm for the role that they are being recruited to perform, a series of planned above-inflation, annual increases to reach a market salary may be used. Such increases may be made subject to Group and individual performance.

In some circumstances, to recruit individuals of an appropriate calibre, it may be necessary to buy out their variable remuneration arrangements, which would be forfeited due to leaving their previous employment. Where this is done, the Remuneration Committee will take into account the form of any such award, any performance conditions attached to it (including the likelihood of such performance conditions being achieved) and the period of vesting.

Any buy out payments made will generally seek to reflect the structure and level of the award it replaces, as far as reasonably practicable. The Remuneration Committee will pay no more than is necessary to compensate such individuals for the awards they will be losing, taking into account anticipated vesting levels. The Remuneration Committee would normally impose clawback provisions on such recruitment awards made to Executive Directors, activated should such individuals resign or be summarily dismissed within two years of joining the Group. Shareholders will be informed of any such payments at the time of recruitment, along with the reasons for making such payments.

The maximum level of annual variable pay, which may be awarded to a new Executive Director, will be in line with the maximum amounts specified in the Annual Bonus Plan and PSP, as set out in the above, being a total of 200 % of salary. For the avoidance of doubt, this excludes the value of any buy out payments associated with forfeited awards.



The Remuneration Committee may approve the meeting of an Executive Director's reasonable and proportionate relocation expenses where this is considered appropriate in all the circumstances.

Where an Executive Director is recruited partway through a financial year, the individual may be invited to participate in the Annual Bonus Plan on a pro-rated basis in that first year and may be offered 'in-flight' PSP awards pro-rated on a suitable basis.

For the recruitment of an Executive Director in a non-UK jurisdiction, the Remuneration Committee may approve the payment of alternative or additional benefits and pension arrangement in line with local market practice. In some circumstances, the Remuneration Committee may agree to pay an expatriate allowance, reimbursement of advisers' fees and/or offer tax equalisation arrangements.

6. Service Agreements and Termination Payments

It is the Group's policy that Executive Directors' service agreements may be terminated by no more than one year's notice by the employer at any time and by payment of no more than one year's basic salary and other fixed benefits in lieu of notice by the employer.

Upon the termination of an Executive Director's employment, in addition to considering the terms of the individual's service agreement, the Remuneration Committee has the following policies:

- The Remuneration Committee shall be guided by the core principle of seeking an outcome that is in the best interests of the Group and its shareholders and shall take into account all of the circumstances of the termination.
- If the termination is as a result of death, illness, disability, redundancy, retirement or any other exceptional circumstance that the Remuneration Committee considers to be analogous to the foregoing (a 'Good Leaver Reason'), the Remuneration Committee shall consider making a payment to the Executive Director under the Annual Bonus Plan. This would normally be pro-rated for the period worked during the financial year and any amount of bonus deferred (whether held in shares or cash) will normally be released immediately.
- If the termination is as a result of anything other than a Good Leaver Reason, no payment will be made under the Annual Bonus Plan on cessation of employment of an Executive Director and any amount of bonus deferred (whether held in shares or cash) will normally not be released until the end of the usual deferral periods.
- If the termination is as a result of a Good Leaver Reason, PSP awards will normally vest at the normal vesting date, pro-rated for time served and remaining subject to the

original performance conditions. Any shares held for the compulsory holding period (i.e. after the end of the performance period) will vest immediately;

- If the termination is as a result of anything other than a Good Leaver Reason, any PSP awards will lapse in full.
- In the event of a compromise or settlement agreement, the Remuneration Committee shall consider agreeing to reasonable payments in respect of the settlement of legal claims, including any compensation relating to the breach of the Executive Director's statutory or contractual rights and in respect of any reasonable professional fees incurred by the individual in relation to the agreement.

The service contracts of Executive Directors and the letters of appointment of Non-Executive Directors are available for inspection at the Group's registered office during normal business hours and will be available at the Annual General Meeting.

7. Change in Control

On a change in control, awards under the Group's incentive plans will generally vest but in most circumstances, such vesting will be subject to:

- the extent to which the Remuneration Committee considers that the performance conditions have been satisfied; and
- time apportionment in accordance with the rules of each plan.

On a change in control, any shares held under compulsory deferral arrangements under the Annual Bonus Plan or PSP (i.e. after the end of any performance periods) shall normally vest in full.

8. Fees Retained for External Non-Executive Directorships

The Remuneration Committee is of the view that Executive Directors can, in some circumstances, benefit by holding non-executive directorships in other companies.

The Remuneration Committee therefore permits such non-executive directorships and permits the Executive Directors to personally retain the fees from such non-executive directorships, providing that the Remuneration Committee's advance permission is sought and that such appointment does not conflict with the Director's duties and commitments to Ultimate Products.

9. Discretion

The Remuneration Committee has an element of discretion in several areas of the Remuneration Policy and has discretion in some areas under the rules of certain incentive plans. These discretions include:

- selecting participants for each plan and arrangement;
- determining the quantum of awards under each plan or arrangement, subject to the maximums stated in the policy table above;
- selecting the most suitable timing for granting awards and making payments;
- assessing the extent to which performance conditions have been satisfied and thereby the extent to which awards shall vest;
- setting the targets applicable to the various performance measures used in the Group's plans and arrangements;
- conducting an annual review of performance measures and the relative weightings thereof;
- determining whether a participant shall be considered to be a Good Leaver in exceptional circumstances, outside of the prescribed circumstances; and
- making necessary adjustments to any plan or arrangement in circumstances such as a rights issue, restructuring, special dividend or change of control (subject to the rules of the relevant plan or arrangement).

If an event occurs which means, in the opinion of the Remuneration Committee, that the performance conditions or associated targets are no longer an appropriate measure of the performance of the Group's business or its adherence to strategy then, in exceptional circumstances, the Remuneration Committee shall have the discretion to adjust, supplement or amend any performance condition or target, subject always that the adjusted, supplemental or amended performance condition must be not materially less difficult to satisfy. Other than in the case of minor or administrative changes, any such action would be taken only after consultation with the Group's major shareholders and would be disclosed in the subsequent Annual Report on Remuneration.

Specifically, in determining whether the performance measures have been satisfied for awards made under the PSP or Annual Bonus Plan, the Remuneration Committee is required to take account of the extent to which the measured outcome reflects overall corporate performance and the experience of the shareholders of the Company in terms of value creation. Where the Remuneration Committee is of the opinion that the formulaic application of any performance measure produces an outcome that is unjust to the Company, its shareholders or the Executive Director it shall be entitled, acting in its absolute discretion, to make such adjustments as it sees fit to its determination of whether (and, if relevant, to what extent) the performance measure has been satisfied, at all times having due regard to the interests of shareholders of the Company. The Remuneration Committee shall not exercise any such discretion to the material advantage of an Executive Director other than in exceptional circumstances and following consultation with key shareholders.

The Remuneration Committee has the discretion

to amend the Remuneration Policy with regard to minor or administrative matters where, in the opinion of the Remuneration Committee, it would be disproportionate to seek or await shareholder approval for such an amendment.

10. Legacy Agreements

In addition to payments provided for under this Remuneration Policy, the Remuneration Committee may authorise payments to honour commitments made prior to its adoption to any current or former Executive Directors.

Where appropriate, in the case of an internal promotion to an Executive Director position, the Remuneration Committee may make payments to such Executive Director in relation to terms agreed with them at a time when the relevant individual was not an Executive Director of the Group – providing that such payment was not in consideration for the individual becoming an Executive Director. Any such payments will only be made with a view to transitioning the Executive Director to terms compatible with this Remuneration Policy as soon as possible.

Details of any such payments will be included in each Annual Report on Remuneration.

11. Terms and Conditions of Non-Executive Directors

Non-Executive Directors are appointed for an initial period of three years and will stand for re-election at each AGM of Ultimate Products. Thereafter, the Board may invite them to serve for an additional period of three years, again subject to re-election at each AGM.

The fees paid to Non-Executive Directors are determined by the Board in light of independent surveys of fees paid to Non-Executive Directors of comparable companies and with regard to the time commitment and responsibilities involved. The Chairman is paid a single fee covering all of his responsibilities and other Non-Executive Directors receive a basic fee, with the Chairs of the Remuneration Committee and Audit and Risk Committees being paid additional fees to reflect their extra responsibilities.

Non-Executive Directors are entitled to be reimbursed for reasonable expenses, in relation to the performance of their duties and for any related tax liabilities that may arise.

The appointment of Non-Executive Directors is terminable by either party on one month's written notice. No compensation is payable upon termination of their appointment and they are not entitled to participate in the Group's share, bonus or pension arrangements. As a legacy arrangement, Barry Franks was entitled to receive private medical insurance for himself and his spouse and this arrangement concluded on 30 November 2020; the Remuneration Committee does not intend to offer private medical insurance to any other current Non-Executive Director or to any Non-Executive Director recruited in future.

Remuneration Report

Single total figure of remuneration for each Director (audited)

The table below sets out in a single figure the total remuneration, including each element, received by each of the Directors for the years ended 31 July 2021 and 31 July 2020. The table for the year ended 31 July 2020 includes the impact of pay reductions taken as a result of the COVID-19 pandemic which are set out in further detail on page 73.

	Basic Salary/Fees [1] [4] 2021 £	All Taxable Benefits 2021 £	Pension 2021 £	Total Fixed 2021 £	Bonus 2021 £	MIP, PSP and SAYE [3] 2021 £	Total Variable 2021 £	Total 2021 £
Executive Directors								
S Showman	390,472	1,618	-	392,090	202,485	-	202,485	594,575
A Gossage	274,407	1,399	-	275,806	157,846	-	157,846	433,652
G Screawn	148,230	2,066	-	150,296	74,052	-	74,052	224,348
Non-Executive Directors								
J McCarthy	85,000	-	-	85,000	-	-	-	85,000
A Rigby	50,833	-	-	50,833	-	-	-	50,833
R Bell	50,833	-	-	50,833	-	-	-	50,833
C Adshead	37,893	-	-	37,893	-	-	-	37,893
J Easterbrook	35,393	-	-	35,393	-	-	-	35,393
B Franks	5,479	730	-	6,209	-	-	-	6,209
	1,078,540	5,813	-	1,084,353	434,383	-	434,383	1,518,736

	Basic Salary/Fees [1] [2] 2020 £	All Taxable Benefits 2020 £	Pension 2020 £	Total Fixed 2020 £	Bonus 2020 £	MIP, PSP and SAYE [3] 2020 £	Total Variable 2020 £	Total 2020 £
Executive Directors								
S Showman	343,262	1,683	-	344,945	-	-	-	344,945
A Gossage	238,799	1,443	2,500	242,742	-	-	-	242,742
G Screawn	133,216	2,316	9,792	145,324	-	-	-	145,324
Non-Executive Directors								
J McCarthy	72,500	-	-	72,500	-	-	-	72,500
A Rigby	48,333	-	-	48,333	-	-	-	48,333
R Bell	48,333	-	-	48,333	-	-	-	48,333
B Franks	38,667	5,407	-	44,074	-	-	-	44,074
	923,110	10,849	12,292	946,251	-	-	-	946,251

[1] The salaries noted above include amounts for car allowance: S Showman £12,500 (2020 – £11,215); A Gossage £12,500 (2020 – £11,215) and G Screawn £10,000 (2020 – £10,000), and the following amounts of pension contributions from the remuneration package that were paid as salary:

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	2021 £	2020 £
Executive Directors		
S Showman	40,496	36,034
A Gossage	28,062	22,470
G Screawn	14,810	4,896
	83,368	63,400

[2] The remuneration noted above includes the following pay reductions taken by the Directors in FY 20 in light of the COVID-19 pandemic and the resulting impact on the Group:

	Total contractual remuneration 2020 £	Pay reduction £	Total remuneration paid in 2020 £
Executive Directors			
S Showman	389,032	(44,087)	344,945
A Gossage	273,686	(30,944)	242,742
G Screawn	149,404	(4,080)	145,324
Non-Executive Directors			
J McCarthy	75,000	(2,500)	72,500
A Rigby	50,000	(1,667)	48,333
R Bell	50,000	(1,667)	48,333
B Franks	45,407	(1,333)	44,074
	1,032,529	(86,278)	946,251

[3] The Group has 3 long-term incentive plans for the years ended 31 July 2021 and 31 July 2020; the MIP, PSP and SAYE.

[4] The remuneration noted above for C Adshead includes £2,500 received in respect of fees for delivering executive coaching sessions to the Group's senior operating managers in the year ended 31 July 2021.

Individual Elements of Remuneration

Base salary

The Remuneration Committee commissioned an independent benchmarking review of the base salaries of the individual Executive Directors and considered the outcome of this review, together with other market reports on remuneration data from comparable listed companies, when reviewing the base salaries of the Executive Directors, having regard to the scope of the respective roles, the experience, performance and contribution of the relevant individuals and the markets in which the Group operates.

From 1 March 2021, the base salaries of the Executive Directors are as follows, including comparison to the previously agreed rates:

	Base Salary 1 March 2021 £	Base Salary 1 March 2020 £	Increase %
Executive Directors			
S Showman	341,380	334,687	2.0 %
A Gossage	236,551	231,913	2.0 %
G Screawn	124,848	122,400	2.0 %

In addition to the base salary set out above, car allowances are paid to the Executive Directors as follows: S Showman £12,500; A Gossage £12,500 and G Screawn £10,000. The car allowances have remained unchanged.



Taxable benefits

Each Executive Director is entitled to medical expenses insurance.

Pension benefits (audited)

The Group operates a defined contribution pension scheme, which the Directors are eligible to participate in. The Executive Directors currently receive 12 % of their salary (excluding any car allowance) as a contribution to their pension arrangements or the equivalent as a cash allowance. In the year ended 31 July 2021, each of the Executive Directors took the option to receive a cash allowance as follows: S Showman received £40,496 (2020 – £36,034), A Gossage received £28,062 (2020 – £22,470) and G Screawn received £14,810 (2020 – £4,896).

The contracts of employment for the Executive Directors do not define a normal retirement age and given the arrangements in place, the Executive Directors have not accrued pension entitlements at 31 July 2021 (2020 – £Nil).

Non-Executive Director fees

The Non-Executive Directors are subject to shareholder approval, appointed for an initial period of three years and will stand for re-election at each Annual General Meeting of the Company. The period of service can be extended for a further three years based upon Board approval.

The fees payable to the Non-Executive Directors are determined by the Board in light of independent surveys of fees paid to Non-Executive Directors of comparable companies and with regard to the time commitment and responsibilities involved.

The Board commissioned an independent benchmarking review of the fees paid to the individual Non-Executive Directors and considered the outcome of this review, together with other market reports on remuneration data from comparable listed companies when reviewing the fees paid to the Non-Executive Directors, having regard to the scope of the respective roles, the experience, performance and contribution of the relevant individuals and the markets in which the Group operates. With effect from 1 March 2021, the Board increased the base fees payable to the Non-Executive Directors for their services from £40,000 to £42,000 per annum. Prior to this revision, these base fees had remained unaltered since the Group's IPO in 2017. No changes were made to the fees payable to the Non-Executive Directors for their additional responsibilities.

The fee for A Rigby is £42,000 per annum in respect of services as Senior Independent Non-Executive Director and £10,000 per annum in respect of services as Chair of the Remuneration Committee. The fee for R Bell is £42,000 per annum in respect of services as Non-Executive Director and £10,000 per annum in

Remuneration Committee Report

respect of services as Chair of the Audit and Risk Committee. The fee payable to B Franks was £40,000 in respect of services as Non-Executive Director. B Franks resigned as a Director on 18 September 2020. Two Independent Non-Executive Directors, J Easterbrook and C Adshead, were newly appointed on 21 September 2020. The fee for J Easterbrook is £42,000 per annum in respect of services as Non-Executive Director. The fee for C Adshead is £42,000 per annum in respect of services as Non-Executive Director.

Annual Bonus Scheme

Awards made in respect of the year to 31 July 2021

In accordance with the Remuneration Policy, the maximum bonus opportunity under the Annual Bonus Plan for FY 21 was set at 100 % of base salary for S Showman and A Gossage (FY 20 - 125 %), and 80 % of base salary for G Screawn (FY 20 - 100 %). The Remuneration Committee attached performance conditions to each award, one based upon EBITDA and two based upon personal strategic targets which were chosen to align with the Group's strategic pillars. No payment in respect of the personal strategic targets were permissible unless at least the threshold level of EBITDA was obtained.

Performance condition	Level	Opportunity (assessed performance shown in red)		
		S Showman	A Gossage	G Screawn
EBITDA	Threshold (£12.5 m)	0 %	0 %	0 %
	Target (£12.75 m)	60 %	60 %	40 %
	Stretch 1 (£13.7 m)	65 %	65 %	45 %
	Stretch 2 (£14.65 m)	70 %	70 %	50 %
	Stretch 3 (£15.6 m)	75 %	75 %	55 %
	Stretch 4 (£16.55 m)	80 %	80 %	60 %
Personal Target 1 (subject to EBITDA underpin)	Below Threshold	0 %	0 %	0 %
	Threshold	5 %	5 %	5 %
	Target	7.5 %	7.5 %	7.5 %
	Stretch	10 %	10 %	10 %
Personal Target 2 (subject to EBITDA underpin)	Below Threshold	0 %	0 %	0 %
	Threshold	5 %	5 %	5 %
	Target	7.5 %	7.5 %	7.5 %
	Stretch	10 %	10 %	10 %
Total opportunity		100 %	100 %	80 %
Total assessed (% of base salary)		60 %	67.5 %	60 %
Total assessed (% of max. opportunity)		60 %	67.5 %	68.75 %

As EBITDA for FY 21 was £13.3 m, the Target level of performance was delivered, resulting in a payment of 60 % of base salary to S Showman and A Gossage and 40 % of base salary to G Screawn.

The Remuneration Committee assessed performance against the personal strategic targets as set out below. In each case, the Remuneration Committee has sought to provide the maximum level of disclosure of the nature of the targets without prejudicing the Group's commercial interests or revealing sensitive commercial information.

S Showman: The Committee determined that neither Personal Target 1 nor Personal Target 2 was satisfied; no bonus was awarded under these targets for FY 21. As these targets are of continuing relevance and are commercially sensitive, no further disclosure is made at this time. The Committee considers this to be appropriate and proportionate given that no payment was made in respect of these measures.

A Gossage: The Committee determined that Personal Target 1 was not satisfied; no bonus was awarded under this target for FY 21. As this target is of continuing relevance and is commercially sensitive, no further disclosure is made at this time. The Committee considers this to be appropriate and proportionate given that no payment was made in respect of this measure. Personal Target 2 related to delivering measurable benefits from cost management and improvement activities during FY 21, with the provision of regular feedback to the Board to aid understanding of long-term EBITDA margin enhancement, presenting a range of measurable benefits which lead to a sustainable and improved Group EBITDA margin. Threshold was set at 9.5 %, Target at 9.75 % and Stretch at 10 % EBITDA margin. Based upon the Group's EBITDA margin achieved in FY 21 of 9.75 %, the activities undertaken by A Gossage to deliver this, and his engagement with the Board to demonstrate this, the Committee determined that this performance condition had been



achieved to Target level, resulting in an award of 7.5 % of base salary in respect of this measure.

G Screawn: Personal Target 1 related to the maintenance of robust internal procedures to mitigate financial, regulatory and functional risks. The Committee set a framework for assessing these procedures, with performance tiers specified as:

- o **Low** - requiring the implementation of the specified procedures, aligning to Threshold performance;
- o **Moderate** - requiring implementation of the specified procedures as per the Low tier, and in addition providing reports to the Board on these matters adjudged by the Committee to make a meaningful contribution to the Board's efforts to manage risks in these areas, aligning to Target performance; and
- o **High** - requiring satisfaction of those matters specified under the Low and Moderate tiers, and identifying and implementing additional risk-mitigation measures determined by the Committee to be materially valuable, aligning to Stretch performance.

This was assessed to be satisfied to Stretch level, resulting in a payment of 10 % of base salary. The Committee observed that G Screawn has proactively managed a wide range of business risks during FY 21 and has constructively monitored and adapted the Group's 'Top 10' risk measures through regular engagement with Audit and Risk Committee members, as well as undertaking broader discussions with the Board as required. Personal Target 2 related to the development of a detailed three-year financial model to aid investment decisions and the execution of the Board's strategy management objectives. The Committee's framework for assessing this objective consisted of performance tiers specified as:

- o **Basic** - requiring the production of the model to a satisfactory standard as determined by the Committee, aligning to Threshold performance;
- o **Detailed** - requiring the model to be completed to an exceptional standard adjudged by the Committee to have the capability of materially adding value to the Board's decision-making ability and a presentation of this to the Board, aligning to Target performance; and
- o **Extensive** - meeting the requirements of the Detailed level of performance and in addition having the value of the model at Board level through it being instrumental in the decision-making process, with regard to a business-critical strategic matter with its outputs being accepted by the Board as highly valuable in that process, aligning to Stretch performance.

This was assessed to be satisfied to Stretch level, resulting in a payment of 10 % of base salary. It was observed by the Committee that G Screawn's modelling of core financial data significantly helped to, in particular, allow the Board to assess the investment case in relation to the Group's acquisition of Salter Brands Limited during the year and permitted an extensive due diligence process to be completed in a sensible timescale. His work allowed him to quickly and accurately respond to Board challenges by reference to the Company's financial model, which incorporated a significant depth of analysis and allowed for the sensitivity testing of financial metrics.

Awards made in respect of the year to 31 July 2020

As the underlying EBITDA threshold was not satisfied, no bonuses were payable in respect of the year ended 31 July 2020.

Long-Term Incentive Plans (Audited)

PSP

On 14 December 2020, 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.

Under the PSP a total of 655,000 shares were placed under option with an exercise price of £Nil, of which G Screawn received 80,000. No awards under the PSP were made to any other Executive Director.

SAYE

On 2 December 2020 options were granted to 74 employees with options granted over 531,595 shares, of which G Screawn received 12,178. No other Executive Directors were granted options under the SAYE. As required by the HMRC rules governing SAYE schemes, no performance conditions are attached to awards.

MIP

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

Exercise of the put option is subject to the share price of UP Global Sourcing Holdings plc exceeding a hurdle set at a 30 % premium to the IPO price. At the point of exercise, the recipient will receive the value of the Subsidiary Shares in either cash or shares in UP Global Sourcing Holdings plc ('Plc Shares'), at the discretion of UP Global Sourcing Holdings plc, subject to a cap of 6.25 % of the issued share capital of UP Global Sourcing Holdings plc as at the date of the IPO. The table below shows the maximum number of Plc Shares that could be issued in exchange for the Subsidiary Shares, based upon the share price of UP Global Sourcing Holdings plc as at the relevant date had the put options been exercised at such time:

As at 31 July 2021

	Subsidiary Share Held	Maximum Potential Plc Shares at 31 July 2021	Face Value
Executive Directors			
S Showman	48	1,271,886	2,569,210
A Gossage	32	847,924	1,712,807
G Screawn	8	211,981	428,202

As at 31 July 2020

	Subsidiary Share Held	Maximum Potential Plc Shares at 31 July 2020	Face Value
Executive Directors			
S Showman	48	-	-
A Gossage	32	-	-
G Screawn	8	-	-

Face value is calculated as the number of Plc Shares that could be acquired upon exercise of the put option, multiplied by the average mid-market share price at the relevant year-end date. The price at this date is taken as this is linked to the maximum potential shares to be issued based upon the conditions at that time.

As at 31 July 2020, the share price of UP Global Sourcing Holdings plc was below the hurdle price so, at that date, the put option would not be exercisable had the awards been vested at such date.

As at 31 July 2021, the share price of UP Global Sourcing Holdings plc was above the hurdle price and the awards had vested, so the put options were exercisable at such date. As at this date, the put options had not been exercised by any of the Executive Directors and so the awards remained extant.

The MIP awards were made prior to the Group's IPO in 2017 and, in accordance with the Directors' Remuneration Policy, no further awards will be made under the MIP.

Awards made in respect of the year to 31 July 2020

No awards were made under the PSP, SAYE or MIP in the year ended 31 July 2020.

Service contracts

The following table sets out the key terms of the service contracts in place:

	Date of appointment	Date of service contract	Notice period
Executive Directors			
S Showman	28 July 2005	28 February 2017	12 Months
A Gossage	28 July 2005	28 February 2017	12 Months
G Screawn	16 December 2010	28 February 2017	6 Months
Non-Executive Directors			
J McCarthy	1 March 2017	2 November 2020	1 Month
A Rigby	1 March 2017	2 November 2020	1 Month
R Bell	1 March 2017	2 November 2020	1 Month
B Franks (resigned)	28 July 2005	9 February 2017	1 Month
J Easterbrook	21 September 2020	21 September 2020	1 Month
C Adshead	21 September 2020	21 September 2020	1 Month

Barry Franks resigned as a Director on 18 September 2020. All other outside appointments are disclosed in the Director biographies set out on pages 44 to 46 of the Annual Report.



Payments for loss of office (Audited)

There have been no such payments made in either the year ended 31 July 2021 or the comparative period.

Payments to former directors (Audited)

Barry Franks was appointed president on 21 September 2020 following his resignation as a director on 18 September 2020 and received £35,609 in respect of his services in this role in the year ended 31 July 2021.

Disclosure of emoluments voluntarily reduced

The Executive Directors voluntarily agreed to reduce their salaries in the year ended 31 July 2020 in light of the COVID-19 pandemic and the resulting impact on the Group. The total amount of the reduction in FY 20 was £86,278, as set out in the table on page 73. There have been no such reductions in the year ended 31 July 2021.

Directors' shareholdings (Audited)

The table below sets out the total number of shares held at 31 July 2021 by each Director of the Company.

	A ordinary shares owned [1]	Shares owned outright	Shares under option	Potential MIP shares [1]	Deferred bonus shares [2]
Executive Directors					
S Showman	48	18,530,600	-	1,271,886	-
A Gossage	32	8,052,400	-	847,924	-
G Screawn	8	416,581	239,962	211,981	11,564
Non-Executive Directors					
J McCarthy	-	935,000	-	-	-
A Rigby	-	25,000	-	-	-
R Bell	-	402,144	-	-	-
C Adshead	-	-	-	-	-
J Easterbrook	-	-	-	-	-
B Franks (resigned) [3]	-	7,270,400	-	-	-

[1] The A Ordinary shares held in UP Global Sourcing UK Limited give rise to a potential entitlement to acquire additional shares in UP Global Sourcing Holdings plc, as explained in the 'Long-Term Incentive Plan' section above. The share price at 31 July 2021 exceeded the hurdle price and as such, options to acquire a total of 2,331,791 shares in UP Global Sourcing Holdings plc were vested but not exercised as at 31 July 2021. No options were exercised during the year.

[2] Pursuant to the Remuneration Policy, 30 % of the award payable under the Annual Bonus Plan to G Screawn in respect of the year ended 31 July 2019 was deferred into shares that vested in three equal tranches after one, two and three years. The legal title to these shares is held under a nominee agreement by JTC Employer Solutions Trustee Limited (formerly RBC cees Trustee Limited), the trustee of the Group's Employee Benefit Trust. As requiring S Showman and A Gossage to defer a portion of their award into shares would have triggered a mandatory offer under Rule 9 of the City Code on Takeovers and Mergers, the Remuneration Committee instead arranged (in compliance with the Remuneration Policy) for 30 % of their award to be held as cash, again under a nominee agreement by the trustee of the Group's Employee Benefit Trust. On 25 November 2020, in accordance with the terms of the deferral and the Remuneration Policy, one-third of the shares held in respect of G Screawn and one-third of the cash held in respect of S Showman and A Gossage, was released from the nominee arrangement.

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[3] B Franks resigned as a Director on 18 September 2020. His shareholding continues to be shown in the table above due to the fact that he acted as a Director for part of the year ended 31 July 2021.

The table below sets out the change in the number of shares held by each Director of the Company in the period since 31 July 2021:

	Shares owned outright 31 July 2020	Shares owned outright 31 July 2021	Shares held under share options 31 July 2021	Potential MIP shares 31 July 2021	Deferred bonus shares 31 July 2021	Shares owned outright at 1 November 2021
Executive Directors						
S Showman	18,530,600	18,530,600	-	1,271,886	-	18,530,600
A Gossage	8,052,400	8,052,400	-	847,924	-	8,052,400
G Screawn	410,800	416,581	239,962	211,981	11,564	416,581
Non-Executive Directors						
J McCarthy	935,000	935,000	-	-	-	935,000
A Rigby	25,000	25,000	-	-	-	25,000
R Bell	402,144	402,144	-	-	-	402,144
C Adshead	-	-	-	-	-	-
J Easterbrook	-	-	-	-	-	-
B Franks (resigned)	7,270,400	7,270,400	-	-	-	7,270,400

Shareholding requirement

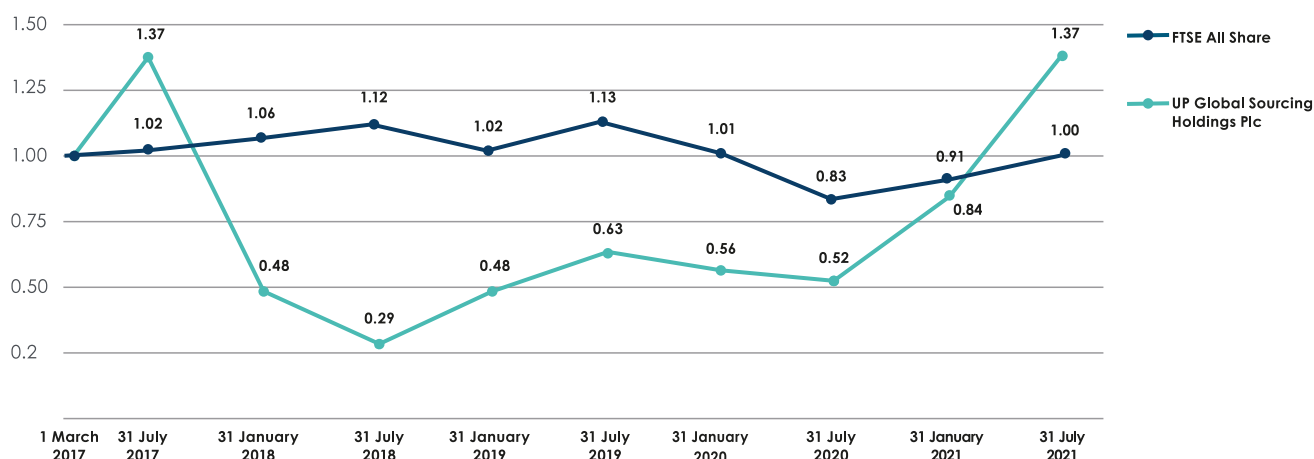
	Base Salary [1] £	Total Shareholding	Shareholding Requirement as % of Salary	Shareholding Requirement [2]	Actual Shareholdings as % of Requirement
S Showman	341,380	18,530,600	250 %	422,500	4,386 %
A Gossage	236,551	8,052,400	250 %	292,761	2,751 %
G Screawn	124,848	416,581	125 %	77,257	539 %

[1] Base salary above excludes any amount in respect of a car allowance

[2] Salary divided by the 31 July 2021 share price of 202p, multiplied by percentage of salary.

Performance graph and CEO remuneration table

This graph illustrates the Group's performance against the FTSE All Share since the date of the IPO, measured by Total Shareholder Return (TSR). The FTSE All Share has been chosen as the appropriate comparator, as UP Global Sourcing Holdings plc is a constituent of this index. This illustrates the movement in a hypothetical £100 invested in the Company from the date of the IPO.



The table below sets out the remuneration data for the Director undertaking the role of CEO for five years:

		Single Figure Remuneration £'000	Annual Bonus (% of Maximum)	PSP Vesting (% of Maximum)
Chief Executive	Year			
S Showman	2021	595	60 %	Nil
S Showman	2020	345	Nil	Nil
S Showman	2019	710	79 %	Nil
S Showman	2018	382	Nil	Nil
S Showman	2017	1,434	Not relevant	Nil

Relative importance of spend on pay

The table below illustrates the Group's expenditure on pay in comparison to distributions to shareholders by way of dividends.

	2021 £'000	2020 £'000	% Change
Total employee costs (note 10 – Financial Statements)	13,284	11,748	+13.1 %
Dividends	4,363*	3,250**	+34.2 %

* Dividends payable and proposed in respect of the year ended 31 July 2021

** Dividends payable and proposed in respect of the year ended 31 July 2020

CEO pay ratio

New legislation came into effect in the year ended 31 July 2020 which required quoted companies with 250 or more employees to publish information on the ratio of CEO pay to employee pay. In accordance with these requirements we have provided in the table below the ratio of the UP Global Sourcing Holdings plc CEO single figure remuneration as a ratio of the equivalent single figure for the lower quartile, median and upper quartile UK employee.

Total pay ratio	Method	25th percentile	Median	75th percentile
Year ended 31 July 2020	A	15.9:1	14.1:1	10.7:1
Year ended 31 July 2021	A	24.7:1	22.0:1	15.4:1

As permitted by the legislation, we have calculated the ratio using Option A as this is considered to be the most statistically accurate way. Under this option the full-time equivalent total remuneration has been determined for all UK employees for the years ended 31 July 2020 and 31 July 2021. Representative employees have then been identified for each quartile using this data. No assumptions have been used to estimate the full-time equivalent employees.

The remuneration figure for the employee at each quartile was determined with reference to 31 July 2020 and 31 July 2021.

It is noted that the ratios calculated for the year ended 31 July 2020 include the impact of pay reductions taken by the Directors as a result of the COVID-19 pandemic.

The total pay and benefits and the base salary component of total pay and benefits are set out as follows:

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	Base salary 2021 [1] £	Total pay and benefits 2021 £	Base salary 2020 [1] £	Total pay and benefits 2020 £
CEO remuneration	337,476	594,575	296,012	344,945
25th percentile employee	19,831	24,047	21,142	21,676
Median employee	25,125	27,049	23,500	24,480
75th percentile employee	31,917	38,495	31,000	32,265

[1] The base salary for the CEO excludes car allowance and pension payments taken as cash. These amounts are included in total pay and benefits. The base salary for the CEO includes the impact of the pay reduction taken in the year ended 31 July 2020 as a result of the COVID-19 pandemic.

Annual percentage change in remuneration of Directors compared to employees

This table shows the percentage change in salary, taxable benefits and annual bonus set out in the single figure of remuneration tables, paid to each Director in respect of the financial years ended 31 July 2021 and 31 July 2020 compared to that of the average pay of all employees of the Group. The salary used in the calculation for the year ended 31 July 2020 includes the impact of the pay reductions taken by the Directors as a result of the COVID-19 pandemic.

	Salary/fees % change 2021 [1] [3]	Benefits % change 2021	Annual bonus % change 2021
Executive Directors			
S Showman	+13.9 %	-3.9 %	+100 %
A Gossage	+13.9 %	-3.0 %	+100 %
G Screawn	+4.0 %	-10.8 %	+100 %
Non-Executive Directors			
J McCarthy	+17.2 %	0.0 %	0.0 %
A Rigby	+5.2 %	0.0 %	0.0 %
R Bell	+5.2 %	0.0 %	0.0 %
C Adshead	n/a	n/a	n/a
J Easterbrook	n/a	n/a	n/a
Average pay of all employees [2]	+4.9 %	-2.3 %	+104.9 %

	Salary/fees % change 2020 [1] [3]	Benefits % change 2020	Annual bonus % change 2020
Executive Directors			
S Showman	-10.5 %	-2.9 %	-100.0 %
A Gossage	-10.5 %	-26.2 %	-100.0 %
G Screawn	-2.0 %	-18.1 %	-100.0 %
Non-Executive Directors			
J McCarthy	-3.3 %	-	-
A Rigby	-1.7 %	-	-
R Bell	-3.3 %	-	-
B Franks	-3.3 %	-8.7 %	-
Average pay of all employees [2]	+3.2 %	+3.0 %	-21.3 %

[1] The salary used in the calculation excludes the pension contributions that were paid as salary but includes car allowances.

[2] Average pay is determined using all employees in the Group, as the Parent Company has no employees. The calculations are based on all employees who were employed throughout the year ended 31 July 2021.

[3] The salary used in the calculation for the year ended 31 July 2020 includes the impact of the pay reductions taken by the Directors as a result of the COVID-19 pandemic.



Statement on implementation of remuneration policy in the following financial year

As reported in the previous Remuneration Report, due to the challenges brought about by COVID-19, a decision was taken by the Remuneration Committee and Board to defer the review of the base salaries and fees of the Executive and Non-Executive Directors respectively that was due to take place in March 2020. Ultimately, the Committee determined that the March 2020 review be cancelled and that the annual review process should recommence on the normal annual schedule in March 2021. The Remuneration Committee commissioned RSM to produce an independent benchmarking review of the base salaries of the individual Executive Directors and considered the outcome of this review, together with other market reports on remuneration data from comparable listed companies when reviewing the base salaries of the Executive Directors, having regard to the scope of the respective roles, the experience, performance and contribution of the relevant individuals and the markets in which the Group operates. The Board also commissioned RSM to prepare a similar independent benchmarking review of the fees payable to the Non-Executive Directors and subsequently considered the level of those fees on the same basis.

As referred to above, with effect from 1 March 2021:

- the Remuneration Committee increased the base salaries payable to the Executive Directors by 2 %; and
- the Board increased the base fees payable to the Non-Executive Directors for their services from £40,000 to £42,000 per annum. No changes were made to the fees payable to the Non-Executive Directors for their additional responsibilities.

As noted earlier in this report, the maximum potential bonus achievable for the Executive Directors is 100 % of base salary for both S Showman and A Gossage and 80 % of base salary for G Screawn. This is a reduction from the previous maximum levels of 125 % and 100 % in accordance with the new Remuneration Policy which was approved by shareholders at the 2020 AGM. The bonus is based partly on meeting or exceeding a specified EBITDA target and partly on the individual exceeding specified strategic and/or individual objectives. No part of the bonus will be payable unless a threshold level of the EBITDA target is met. In order for the full payment to be made, EBITDA must exceed the prescribed target by 30 %.

The targets for the year ended 31 July 2022 have been determined by the Remuneration Committee. The Remuneration Committee has decided that, given the commercial sensitivity of the detailed performance measures used for the annual bonus plan, disclosing these targets prospectively is not in the interests of the Group or its shareholders. The targets, performance levels achieved and resulting payments will be disclosed retrospectively after the end of the performance period.

As previously noted, the Remuneration Committee chose not to make any awards under the PSP during the year ended 31 July 2020. In the year ended 31 July 2021, the Remuneration Committee determined that it was appropriate to make awards under the PSP and SAYE as follows:

- on 14 December 2020, options were issued to certain members of management with performance conditions attached. Under the PSP, a total of 655,000 shares were placed under option with an exercise price of £Nil, of which G Screawn received 80,000. No awards under the PSP were made to any other Executive Director.
- on 2 December 2020 options were granted to 74 employees with options granted over 531,595 shares, of which G Screawn received 12,178. No other Executive Directors were granted options under the SAYE.

The Remuneration Committee will consider making further awards under the PSP in the year ending 31 July 2022. The maximum PSP award opportunity per Executive Director, in respect of any financial year, is limited to rights over shares with a market value at grant of 100 % of base salary. Any vesting of awards made under the PSP will be dependent upon the satisfaction of stretching performance conditions based upon EPS growth (50 % weighting) and a maximum of two strategic or individual objectives (25 % weighting). The targets for the performance period will be determined by the Remuneration Committee in advance of the awards being granted and, given the commercial sensitivity of the detailed performance measures used for the PSP, the Remuneration Committee has determined that disclosing these targets prospectively is not in the interests of the Group or its shareholders. The targets, performance levels achieved and resulting payments will be disclosed retrospectively after the end of the performance period.

In relation to the placing of shares and accompanying fundraising that took place in June 2021, the Remuneration Committee considered whether any adjustment should be made to the extant awards under the PSP and SAYE. Having carefully considered the rules of the PSP and SAYE, and the impact of these transactions on holders of awards, the Committee determined that no adjustment to the awards was necessary or appropriate.

Remuneration Committee Report

Consideration of matters relating to Directors' remuneration

The following Directors were members of the Remuneration Committee when matters relating to Directors' remuneration were considered:

- A Rigby
- J McCarthy
- R Bell
- J Easterbrook

External advisers

The Remuneration Committee was advised in relation to Directors' remuneration by RSM UK Tax & Advisory Services LLP ('RSM'). RSM were appointed by A Rigby, after a competitive tender process, to provide advice in relation to the formal setting of remuneration policies, including consideration of legislative matters and best

practice, as well as assistance in drafting the annual Remuneration Report. The Audit and Risk Committee consider RSM to have been objective and independent during the year, as there are no conflicts of interest. The Remuneration Committee is comfortable that the RSM engagement partner and team that provides remuneration advice to the Remuneration Committee do not have connections with the Company that may impair their independence. The Remuneration Committee is committed to regularly reviewing the external advisor relationship. RSM have charged fees of £9,000 for Remuneration Committee matters in the year to 31 July 2021.

Statement of shareholder voting

Shareholder voting in relation to the resolutions to approve the Directors' Remuneration Policy (December 2020 AGM) and the Directors' Remuneration Report (December 2020 AGM) was as follows:

Resolution	For (No. of Shares)	For (%)	Against (No. of Shares)	Against (%)	Votes Withheld (No. of Shares)
To receive and approve the Directors' Remuneration Policy	60,615,515	99.37 %	381,321	0.63 %	31,338
To receive and approve the Directors' Remuneration Report	60,619,475	99.37 %	381,321	0.63 %	27,378

The Remuneration Report was approved by the board on 1 November 2021.

On behalf of the Board



Alan Rigby
Chair of the Remuneration Committee
1 November 2021





DIRECTORS' REPORT

AND OTHER STATUTORY DISCLOSURES

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

Strategic report

The Companies Act 2006 requires the Directors to present a review of the business during the year to 31 July 2021 and of the position of the Group 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 5 to 41 and is incorporated by reference into this Directors' Report.

Corporate governance statement

The Disclosure and Transparency Rules require certain information to be included in a Corporate Governance Statement in the Directors' Report. Information that fulfils the requirements of the corporate governance statement can be found in the Corporate Governance Report on pages 47 to 52 and is incorporated by reference into this Directors' Report.

Results and dividends

The Group's underlying profit after tax for the financial year ended 31 July 2021, attributable to equity shareholders, amounted to £8,727,000 (2020 – £6,504,000) and the profit after tax was £7,313,000 (2020 – £6,615,000). An interim dividend for the current year of 1.69 p (2020 – 1.16 p) per ordinary share was declared on 29 April 2021 and paid on 30 July 2021. Having been deferred during FY 20, the interim dividend for FY 20 as noted above of 1.16 p per ordinary share, was declared on 4 September 2020 and paid on 9 October 2020. The final proposed dividend of 3.33 p (2020 final dividend – 2.795 p) per ordinary share will be paid on 28 January 2022 if approved at the Company's Annual General Meeting ('AGM') on 10 December 2021.

The Directors have taken advantage of the exemption available under s408 of the Companies Act 2006 and have not presented an Income Statement for the Company. The Company's loss for the year was £97,000 (2020 – profit £4,445,000).

Future developments

In accordance with s414A of the Companies Act 2006, the Group has disclosed future developments within its Strategic Report on pages 5 to 41.

Directors

The following were Directors of the Company during

the financial year ended 31 July 2021 and to the date of this report:

- JJ McCarthy
- SA Showman
- AJ Gossage
- GP Screawn
- A Rigby
- RI Bell
- BE Franks (resigned 18 September 2020)
- J Easterbrook (appointed 21 September 2020)
- C Adshead (appointed 21 September 2020)

Subject to the Company's Articles of Association (the 'Articles') and any relevant legislation, the Directors may exercise all of the powers of the Company and may delegate their power and discretion to committees. The powers of the Directors to issue or repurchase ordinary shares are set by resolution at a general meeting of shareholders.

The Articles give the Directors power to appoint and remove Directors. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board. Additionally, the Company may by ordinary resolution, subject to the wider provisions of the Articles, appoint a Director or the Company may by special resolution, or in accordance with the provisions of the Companies Act 2006, remove a Director. In compliance with the UK Corporate Governance Code, the Articles require all Directors to retire and submit themselves for re-election at each Annual General Meeting. Biographical details of the Board are set out on pages 44 to 46 of this report.

Directors' interests

Information regarding the Directors' interests in ordinary shares of the Company is provided in the Directors' Remuneration Report on pages 58 to 83. Under the Long-Term Incentive Plan, as set out in the Directors' Remuneration Report on page 78, 3 Directors hold a total of 88 A ordinary shares in UP Global Sourcing UK Limited. No Director has any other interest in any shares or loan stock of any Group company.

Other than service contracts and the contracts of significance noted later in this report, no Director had a material interest in any contract to which any Group company was a party during the year.

Directors' Report and other Statutory Disclosures

There have been no changes notified in the Directors' shareholdings between 31 July 2021 and 1 November 2021.

Directors' indemnity provisions

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 Company's total liability under each indemnity is limited to £10 m for each event, giving rise to a claim under that indemnity. 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.

Political donations and political expenditure

No Group company made any political donations or incurred any political expenditure in the year (2020 – £Nil).

Post balance sheet events

Other than the Directors proposing a final dividend, as set out in note 14 to the Financial Statements, there were no other relevant post balance sheet events requiring disclosure.

Global operations

The Group's head office and primary distribution facilities are in Oldham, Greater Manchester. In addition, the Group also has a presence in Guangzhou, China and in Cologne, Germany. The registered Representative Office in Guangzhou strengthens the Group'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 Group's international strategy.

Employee engagement

The Group 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 Group. Employees are consulted regularly on a wide range of matters affecting their current and future interests and open feedback from all employees across the Group is encouraged through our Employee Consultation Group ('ECG') and employee annual People Engagement Survey, which is led by the ECG. Further details regarding employee engagement can be found in the Strategic Report on pages 28 to 31.

The Board is keen to ensure that employees are given the opportunity to share in the success of the business and to this end, after initially deferring the 2020 SAYE scheme, planned for launch in May 2020, in light of the COVID-19 pandemic and the uncertainty at that time, the Board invited eligible UK employees to participate in the Group's second SAYE scheme, with 531,595 options being granted on 2 December 2020.

Employment of disabled persons

Suitable procedures are in operation to support the Group'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 that they are retrained according to their abilities and reasonable adjustments are made to the working environment to accommodate their needs.

Substantial shareholdings

As at 31 July 2021, the Company had been notified under Rule 5 of the Financial Conduct Authority's Disclosure and Transparency Rules of the following interests in the Company's ordinary share capital:

	Number of shares	% of voting rights	Type of holding
Schroder Investment Management	13,615,275	15.24 %	Indirect
Ennismore Fund Management Limited	5,393,145	6.04 %	Indirect
UP Global Sourcing Employee Benefit Trust	4,052,738	4.54 %	Direct

No further notifications were received up to and including 26 October 2021.



Relations with shareholders

The Company has regular discussions with and briefings for analysts, investors and institutional shareholders. The Executive Directors normally meet with major shareholders twice annually, in order to develop an understanding of their views; other board members are briefed on their discussions. All Directors have the opportunity to attend these meetings, which were held remotely in FY 21. At the AGM, all shareholders, including private investors, have an opportunity to participate in questions and answers with the Board on matters relating to the Company's operation and performance. Further details regarding shareholder engagement can be found on page 52.

Share capital

As at 31 July 2021, the Company's issued share capital comprised a single class of ordinary shares of 0.25 p each. All of the Company's issued ordinary shares are fully paid up and rank equally in all respects. The rights attaching to the shares are set out in the Articles. Note 27 to the Financial Statements contains details of the ordinary share capital.

On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote and, on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The Notice of AGM gives full details of the deadlines for exercising voting rights in relation to resolutions to be passed at the AGM. All proxy votes are counted and the numbers for, against or withheld, in relation to each resolution, are announced at the AGM and published on the Company's website after the meeting. Subject to the relevant statutory provisions and Articles, shareholders are entitled to a dividend where declared and paid out of profits available for such purposes.

There are no restrictions on the transfer of ordinary shares in the Company other than:

- those which may from time to time be applicable under existing laws and regulations (for example, insider trading laws); and
- pursuant to the Listing Rules of the Financial Conduct Authority, whereby certain Directors and employees of the Company require the approval of the Company to deal in the Company's ordinary shares and are prohibited from dealing during closed periods.

At 31 July 2021, JTC Employer Solutions Trustee Limited (formerly RBC cees Trustee Limited), as trustee of the

UP Global Sourcing Employee Benefit Trust (the 'Trustee'), held 4.54 % of the issued share capital of the Company in trust for the benefit of the employees of the Group.

A dividend waiver is in place in respect of the Trustee's shareholdings under the UPGS EBT. The UPGS EBT waived dividends on its shareholding of 4,058,307 shares in relation to the dividends paid on 9 October 2020 and 29 January 2021, and on 4,052,738 shares in relation to the dividend paid on 30 July 2021.

Unless the Company directs that the Trustee may vote on a particular occasion, the Trustee shall abstain from voting in respect of the shares it holds for the benefit of the UPGS EBT. If the Company directs that the Trustee may vote, the Trustee may vote, or abstain from voting, in the manner that it thinks fit in its absolute discretion.

On 13 July 2021, the Company issued and allotted 7,142,857 new ordinary shares of 0.25p each to raise approximately £15 million pursuant to a non-pre-emptive placing and offer for subscription via PrimaryBid.com, such allotment being in connection with the acquisition of the entire issued share capital of Salter Brands Limited. Such placing and offer for subscription was authorised by specific shareholder resolutions passed by shareholders at the general meeting on 13 July 2021. At 31 July 2021, the Company's entire issued share capital was 89,312,457 ordinary shares of 0.25p each. Further details of the Company's issued share capital, together with details of shares allotted during the year, is shown in note 27 to the Financial Statements.

At 31 July 2021, pursuant to shareholder resolutions passed on 13 July 2021, the Company had authority to allot ordinary shares up to the value of two thirds of the Company's current issued share capital (one third of such authority being exercisable only in connection with a pre-emptive rights issue). It also had authority to: (i) issue ordinary shares without first offering such shares to existing shareholders, up to a value of 5 % of the Company's issued share capital; and (ii) purchase up to 10 % of its issued share capital (subject to, if necessary, a 'whitewash' procedure being undertaken prior to exercise of such authority pursuant to Rule 9 and 37 of the City Code on Takeovers and Mergers, as set out in the Explanatory Notes to the AGM Notice for 2020). Such authorities will expire at the conclusion of the AGM of the Company on 10 December 2021. It is proposed that such authorities are renewed at the AGM for 2021, as detailed in the AGM Notice.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights.

Directors' Report and other Statutory Disclosures

Change of control

As disclosed in the Directors' Remuneration Report, awards under the Company's share incentive plans contain provisions relating to a change of control of the Company. The Company's banking facilities with HSBC Bank plc may, at the discretion of the lender, become repayable upon a change of control.

Articles of association

The Company's Articles may only be amended by a special resolution at a general meeting of shareholders. No amendments are proposed to be made to the existing Articles at the 2021 AGM.

Carbon emission reporting

Disclosures regarding greenhouse gas emissions, energy consumption and energy efficiency action are included in the Strategic Report on pages 34 and 35. This information is incorporated by reference into this Directors' Report.

Financial risk management and internal controls

Information on the exposure of the Group to certain financial risks and on the Group's objectives and policies for managing each of the Group's main financial risk areas is detailed in the financial risk management disclosure in note 26.

The Board has conducted a robust assessment of the principal risks faced by the business and the mitigating factors in force, along with an in-depth review of the internal financial controls, including those that would threaten its business model, future performance, solvency or liquidity.

Contracts of significance

The contracts of significance, as defined by Listing Rule 9.8, in existence during the financial year relate to the lease of the Group's offices, showroom and distribution

facilities at Manor Mill and Heron Mill.

The lease for Manor Mill, originally entered into on 11 November 2016 by UP Global Sourcing UK Limited was extended on 21 January 2020 on normal commercial terms. The lessor is Berbar Properties Limited, a company of which former Director Barry Franks is a director and sole shareholder. The lease is for a term of 10 years and the current rent is £180,000 per annum.

The lease of Heron Mill was entered into by UP Global Sourcing UK Limited on normal commercial terms on 14 April 2016 with Heron Mill Limited, which is controlled by its Directors Simon Showman and Andrew Gossage and former Director Barry Franks. The lease is for a term of 7 years and the current rent is £285,000 per annum.

Going concern

The Financial Statements have been prepared on a going concern basis, as set out in the Statement of Directors' Responsibilities on page 89. Having considered the ability of the Company and the Group to operate within its existing facilities and meet its debt covenants, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future (being at least one year following the date of approval of this Annual Report). Accordingly, they consider it appropriate to adopt the going concern basis in preparing the Financial Statements.

The Group's Viability Statement is set out on page 25 of the Strategic Report.

Disclosure of Information Under Listing Rule 9.8.4R

The information required to be disclosed under Listing Rule 9.8.4R, where applicable to the Company, can be found in the 2021 Annual Report and Financial Statements at the references provided below:

Section	Description	Annual Report location
(1)	Interest capitalised	Not applicable
(2)	Publication of unaudited financial information	Pages 148 to 154
(4)	Details of long-term incentive schemes	Pages 76 and 77
(5)	Waiver of emoluments by a Director	Not applicable. Details of emoluments voluntarily reduced are set out on pages 72, 73 and 78.
(6)	Waiver of future emoluments by a Director	Not applicable
(7)	Non-pre-emptive issues of equity for cash	Non-pre-emptive issue was specifically authorised by shareholders but further details are set out on pages 86 and 140.
(8)	Item (7) in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)	Contracts of significance	Page 87
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Page 86
(13)	Shareholder waivers of future dividends	Page 86
(14)	Agreements with controlling shareholders	Not applicable

Directors' statement as to disclosure of information to auditor

So far as each Director is aware, there is no relevant audit information (as defined by the Companies Act 2006) of which the Company's auditor is unaware. Each Director has taken all steps that ought to be taken by a Director, to make themselves aware of and to establish that the auditor is aware of any relevant audit information.

Auditor

The Audit and Risk Committee has responsibility delegated from the Board for making recommendations on the appointment, reappointment, removal and remuneration of the external auditor. In accordance with section 485 of the Companies Act 2006, a resolution proposing that BDO LLP be reappointed as auditors of the Group and to authorise the Audit and Risk Committee to fix their remuneration will be proposed at the 2021 AGM.

Annual General Meeting

The Company's AGM will be held at 2.00 pm on 10 December 2021 at the Company's registered office, Manor Mill, Victoria Street, Oldham OL9 0DD. The Notice of the AGM accompanies this Annual Report and will be available on the Group's website at www.upgs.com. Two resolutions will be proposed as special business. Explanatory notes on these resolutions are set out in the Notice of the meeting.

Recommendation to shareholders

The Board considers that all of the resolutions to be considered at the AGM are in the best interests of the Company and its shareholders as a whole and unanimously recommends that you vote in their favour.

By order of the Board



Graham Screawn
Company Secretary
1 November 2021



DIRECTORS' STATEMENT

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements and have elected to prepare the Company Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 Group and Company and of the profit or loss for the Group for that period. The Directors are also required to prepare Financial Statements in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the Financial Statements;
- state whether they have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Directors' Report, a Strategic Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

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 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

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 ensuring that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Website publication

The Directors are responsible for ensuring that the Annual Report and Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- the Financial Statements have been prepared in accordance with the applicable set of accounting standards and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and Company, together with a description of the principal risks and uncertainties that they face.



Simon Showman
Chief Executive Officer
1 November 2021



Graham Screawn
Chief Financial Officer

We care about our community.

We work in partnership with local charities to support our community, establishing long-standing relationships to contribute to the brilliant work that they do.

From donating household products to those who need it most, to funding school supplies, we are committed to helping wherever we can.

We have a responsibility to serve the community we operate in and where many of our employees live.



When people ask us, **why Ultimate Products?**

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We say it's because **we are supporting.**

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UP GLOBAL SOURCING HOLDINGS PLC

Opinion on the Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 July 2021 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group Financial Statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

We have audited the Financial Statements of UP Global Sourcing Holdings plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 July 2021 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Cash Flows, 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

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. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 15 July 2016 to audit the Financial Statements for the year ended 31 July 2016 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 5 years, covering the years ending 31 July 2016 to 31 July 2021. We remain independent of the Group and the Parent 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

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. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- we obtained management's assessment that supports the Board's conclusions with respect to the disclosures provided around going concern;
- we considered the appropriateness of management's forecasts by testing their mechanical accuracy and assessing historical forecasting accuracy by comparison of past forecasts to achieved results;
- we obtained an understanding of the financing facilities from the finance agreements, including the nature of the facilities, covenants and attached conditions;
- we agreed the facility and covenant headroom calculations to the banking agreements and performed the calculations;

- we challenged the Directors on key assumptions included in the stress test scenarios used by management including a 20 % fall in revenue and margin reductions and looked at the residual working capital to check that the Group will remain a going concern; and
- we reviewed the wording of the going concern disclosures and assessed their consistency with management's forecasts.

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 Group and the Parent 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.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

Overview

Coverage	99 % (2020 – 99 %) of Group profit before tax	
	100 % (2020 – 100 %) of Group revenue	
	99 % (2020 - 99 %) of Group total assets	
Key audit matters	2021	2020
	Rebate estimation	✓
	Inventory provisioning	✓
	Acquisition accounting	x
	Revenue recognition in respect of goods in transit	✓
	Revenue recognition is no longer considered to be a key audit matter as this does not involve any significant auditor judgement and no material errors have been identified in revenue recognition.	
Materiality	Group Financial Statements as a whole £540,000 (2020 – £400,000) based on 5 % (2020 – 5 %) of underlying profit before tax (2020 – profit before tax).	

An Overview of the Scope of Our Audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control and assessing the risks of material misstatement in the Financial Statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates through a number of legal entities, which form reporting components. The Group was deemed to have two significant components, UP Global Sourcing UK Limited, the Group's main trading company, and UP Global Sourcing Holdings plc, the Parent Company of the Group, both of which are based at the Group's registered office. The Group audit team have completed a full scope audit on components of the Group with coverage of 100 % (2020 – 100 %) of revenue, 99 % (2020 – 99 %) of profit before tax and 99 % (2020 – 99 %) of net assets.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter	
Rebates (See note 4 and accounting policy in note 3)	<p>The Group has a number of rebate agreements in place with its customers. As described in Note 4, the estimation of the rebate charge and year-end accrual requires a level of estimation and judgement by management, which includes estimation of revenue until the end of the relevant period in the rebate contract and for uncontracted rebates the estimation of further debit notes expected. These estimates are based on past history and the level of recent sales made to each customer. As a result of the level of estimation and judgements applied in this area, we considered rebates to be a key audit matter.</p>	<p>We obtained assurance over the rebate charge and accrual by:</p> <ul style="list-style-type: none"> • agreeing the calculation of a sample of rebate charges to the underlying rebate agreement and revenue for the year. Where this involved estimation, we reviewed the basis of such estimates by agreeing the revenue recognised in respect of these rebates up to the year-end date for these customers and recalculating estimates for any future sales within the rebate period; • we have reviewed the level of non-current rebate accruals held by the Group and, using past history of supplier invoices, estimated the level of accrual required at the year end; • comparison of the rebate charge and accrual to our expectations based on the revenue in the year and past history to identify any variances above 15 % of performance materiality which were then substantiated to supporting documentation, such as post-year claims and payments; and • determination of the accuracy of the estimation of the prior year rebate accruals by agreeing them to claims received during the year and the rebate history. <p>Key observations:</p> <p>Based on the procedures completed, we found the estimates made by management in calculating the rebate charge and year-end accrual to be reasonable.</p>
Inventory provisioning (See note 4 and accounting policy in note 3)	<p>Management has to make a number of estimates to assess the appropriate level of provisioning for items which may be sold below cost as a result of a reduction in consumer demand, particularly in light of changing consumer tastes and new products being developed. Such estimates include management's expectations for future sales, the level of future orders and the saleability of products. As a result, we consider inventory provisioning to be an area where there is a significant risk of material misstatement and a key audit matter.</p>	<p>We obtained assurance over the calculation of the value of inventory provisions by:</p> <ul style="list-style-type: none"> • agreeing a sample of sales of free stock after the year end to sales invoice to check that these products have been sold at above cost price since the year end; • testing a sample of inventory held at year end to confirm it is held at the lower of cost and net realisable value, through comparison to invoices and sales prices; and • comparing historical accuracy of inventory provisioning with reference to stock movements following the prior year end by obtaining the value of stock sold at a negative margin in the current financial year and comparing this to the level of provision at the previous balance sheet date. <p>Key observations:</p> <p>Based on the procedures completed, we found management's estimate to be appropriate and the stock provision was not found to be materially misstated.</p>

Independent Auditor's Report

Key audit matter	How the scope of our audit addressed the key audit matter	
Acquisition accounting (See note 18 and accounting policy in note 3)	<p>During the year, the Group acquired 100 % of Salter Brands Limited. This acquisition was material to the Financial Statements and there are inherent complications in the accounting for such a transaction including identifying the fair value of the consideration for the acquisition and the net assets acquired. Furthermore, the Group was required to identify and value any separable intangible assets acquired as part of the transaction.</p> <p>As part of this exercise, management identified the Salter Brand to be an acquired separable intangible asset that has been valued at £27.1m within these Financial Statements, which involved the use of a number of estimates.</p>	<p>We obtained assurance over the acquisition by:</p> <ul style="list-style-type: none"> obtaining the sales and purchase agreement and reviewed the key terms to check that these have been accounted for correctly; reviewing the details of acquisition to identify which separable intangible assets were acquired as part of the transaction; using our internal valuation experts to review the valuation of the brand which was separately valued by considering the accuracy of the model and estimates such as the WACC used within the valuation; and reviewing the disclosure included in note 18 to the Financial Statements to check that this accurately reflects the transaction and that the disclosure is compliant with IFRS. <p>Key observations:</p> <p>Based on the procedures completed, we found that the accounting treatment of the acquisition and the disclosure within the Financial Statements is appropriate.</p>

Our Application of Materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the Financial Statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial, as we also take account of the nature of identified misstatements and the particular circumstances of their occurrence when evaluating their effect on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole and performance materiality as follows:

	Group Financial Statements		Parent Company Financial Statements	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Materiality	540	400	300	220
Basis for determining materiality	5 % of profit before tax, after adding back one-off underlying items.	5 % of profit before tax.	Capped at 55 % of group materiality.	Capped at 55 % of group materiality.
Rationale for the benchmark applied	Materiality was determined using 5 % of underlying profit before taxation (2020 – profit before tax). This was deemed to be the measure which would be considered most important to the users of the Financial Statements as one of the Group's key statutory KPIs.		Calculated as a percentage of Group materiality for Group reporting purposes given the assessment of aggregation risk.	
Performance materiality	405	300	225	165
Basis for determining performance materiality	75 % of materiality. This was set based on the low level of adjustments identified in previous years and management's attitude to these adjustments.			

Component Materiality

We set materiality for each component of the Group based on a percentage of between 55 % and 95 % of Group materiality, dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £300,000 to £510,000. In the audit of each component, we further applied performance materiality levels of 75 % of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting Threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £19,000 (2020 – £14,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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.

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements or our knowledge obtained during the audit.

Going concern and longer-term viability	<ul style="list-style-type: none"> The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified. The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate.
Other Code provisions	<ul style="list-style-type: none"> Directors' statement on fair, balanced and understandable. Board's confirmation that it has carried out a robust assessment of the emerging and principal risks. The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems. The section describing the work of the audit committee.

Other Companies Act 2006 Reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> 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. <p>In the light of the knowledge and understanding of the Group and Parent 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.</p>
Directors' remuneration	<p>In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or the Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or certain disclosures of Directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the 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 Group's and the Parent 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 Group or the Parent 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. After consideration, we identified that fraudulent manipulation of the Financial Statements could be achieved through the posting of fraudulent journal entries, the use of inappropriate accounting estimates and the manipulation of revenue around the year end.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

- We gained an understanding of the legal and regulatory framework applicable, at both the Group and component level, and the industry in which they operate, and considered the risk of acts by the Group or components that were contrary to applicable laws and regulations, including fraud;
- We considered the Group'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 (IFRS, the Companies Act 2006 and the 2018 UK Corporate Governance Code), 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 Group Financial Statements;
- We designed audit procedures to identify instances of non-compliance with such laws and regulations. We reviewed the minutes of Board meetings throughout the period to identify any issues which were pertinent to the audit and held further conversations with relevant employees, such as the Group CFO, to ensure that we were aware of any potential instances of non-compliance;
- We discussed among the Group engagement team, how and where non-compliance with laws and regulations and fraud might occur in the Financial Statements and any potential indicators of fraud. The Engagement Partner has accumulated extensive knowledge of the industry in which the Group operates.

- We addressed the risk of management override of internal controls, considered to be in connection with the posting of inappropriate journals and bias in significant management estimates and judgements, through testing journal entries processed during the year, 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our Report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Gary Harding (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor Manchester, UK
1 November 2021

CONSOLIDATED INCOME STATEMENT

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

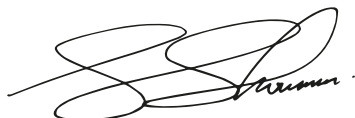
	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Profit for the year	7,313	6,615
Other comprehensive income		
<i>Items that may subsequently be reclassified to the Income Statement:</i>		
Fair value movements on cash flow hedging instruments	(162)	(961)
Hedging instruments recycled through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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 July 2021 £'000	As at 31 July 2020 £'000
Assets			
Intangible assets	15	27,253	86
Goodwill	15	9,676	-
Property, plant and equipment	16	5,719	5,065
Deferred tax	19	-	106
Total non-current assets		42,648	5,257
Inventories	20	21,674	16,022
Trade and other receivables	21	26,544	18,495
Derivative financial instruments	26	384	53
Current tax asset		62	-
Cash and cash equivalents	22	133	329
Total current assets		48,797	34,899
Total assets		91,445	40,156
Liabilities			
Trade and other payables	23	(29,451)	(17,614)
Derivative financial instruments	26	(220)	(1,342)
Current tax		-	(280)
Borrowings	24	(7,951)	(3,903)
Lease liabilities	25	(771)	(710)
Deferred consideration	18	(990)	-
Total current liabilities		(39,383)	(23,849)
Net current assets		9,414	11,050
Borrowings	24	(10,847)	(89)
Deferred tax	19	(6,147)	-
Deferred consideration	18	(983)	-
Lease liabilities	25	(2,030)	(2,804)
Total non-current liabilities		(20,007)	(2,893)
Total liabilities		(59,390)	(26,742)
Net assets		32,055	13,414

	Note	As at 31 July 2021 £'000	As at 31 July 2020 £'000
Equity			
Share capital	27	223	205
Share premium	29	14,334	2
Employee Benefit Trust reserve	29	(2,152)	(2,155)
Share-based payment reserve	29	1,024	796
Hedging reserve	29	(162)	(961)
Retained earnings	29	18,788	15,527
Equity attributable to owners of the Group		32,055	13,414

These Financial Statements were approved by the Board of Directors and authorised for issue on 1 November 2021 and signed on its behalf by:



Simon Showman
Chief Executive Officer
Company registered number: 5432142



Graham Screawn
Chief Financial Officer

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	As at 31 July 2021 £'000	As at 31 July 2020 £'000
Assets			
Investments	17	19,706	17,457
Trade and other receivables	21	32,000	-
Total non-current assets		51,706	17,457
Trade and other receivables	21	2,264	8,295
Current tax asset		44	-
Total current assets		2,308	8,295
Total assets		54,014	25,752
Liabilities			
Trade and other payables	23	(3,931)	(217)
Borrowings	24	(1,937)	-
Deferred consideration	18	(990)	-
Total current liabilities		(6,858)	(217)
Net current (liabilities)/assets		(4,550)	8,078
Borrowings	24	(10,549)	(13)
Deferred consideration	18	(983)	-
Total non-current liabilities		(11,532)	(13)
Total liabilities		(18,390)	(230)
Net assets		35,624	25,522

	Note	As at 31 July 2021 £'000	As at 31 July 2020 £'000
Equity			
Share capital	27	223	205
Share premium	29	14,334	2
Share-based payment reserve	29	1,024	796
Hedging reserve	29	27	(3)
Retained earnings	29	20,016	24,522
Total equity		35,624	25,522

The Company's loss for the year was £97,000 (2020 – £4,445,000 profit) and the total comprehensive income for the year was a loss of £67,000 (2020 – £4,442,000).

These Financial Statements were approved by the Board of Directors and authorised for issue on 1 November 2021 and signed on its behalf by:



Simon Showman
Chief Executive Officer

Company registered number: 5432142



Graham Screawn
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Employee Benefit Trust reserve £'000	Share-based payment reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 August 2019	205	2	(1,649)	529	1,238	11,227	11,552
Profit for the year	-	-	-	-	-	6,615	6,615
Foreign currency retranslation	-	-	-	-	-	(8)	(8)
Cash flow hedging movement	-	-	-	-	(2,199)	-	(2,199)
Total comprehensive income for the year	-	-	-	-	(2,199)	6,607	4,408
Transactions with shareholders:							
Dividends payable (note 14)	-	-	-	-	-	(2,307)	(2,307)
Share-based payments (note 7)	-	-	-	267	-	-	267
Purchase of own shares by the Employee Benefit Trust	-	-	(506)	-	-	-	(506)
As at 31 July 2020	205	2	(2,155)	796	(961)	15,527	13,414
Profit for the year	-	-	-	-	-	7,313	7,313
Foreign currency retranslation	-	-	-	-	-	(13)	(13)
Cash flow hedging movement	-	-	-	-	799	-	799
Total comprehensive income for the year	-	-	-	-	799	7,300	8,099
Transactions with shareholders:							
Ordinary shares issued (note 27)	18	14,332	-	-	-	-	14,350
Dividends payable (note 14)	-	-	-	-	-	(4,409)	(4,409)
Share-based payments (note 7)	-	-	-	228	-	-	228
Deferred tax on share-based payments	-	-	-	-	-	370	370
Sale of own shares by the Employee Benefit Trust	-	-	3	-	-	-	3
As at 31 July 2021	223	14,334	(2,152)	1,024	(162)	18,788	32,055

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 August 2019	205	2	529	-	22,384	23,120
Profit for the year	-	-	-	-	4,445	4,445
Cash flow hedging movement	-	-	-	(3)	-	(3)
Total comprehensive income for the year	-	-	-	(3)	4,445	4,442
Transactions with shareholders:						
Dividends payable (note 14)	-	-	-	-	(2,307)	(2,307)
Share-based payments (note 7)	-	-	267	-	-	267
As at 31 July 2020	205	2	796	(3)	24,522	25,522
Loss for the year	-	-	-	-	(97)	(97)
Cash flow hedging movement	-	-	-	30	-	30
Total comprehensive income for the year	-	-	-	30	(97)	(67)
Transactions with shareholders:						
Ordinary shares issued (note 27)	18	14,332	-	-	-	14,350
Dividends payable (note 14)	-	-	-	-	(4,409)	(4,409)
Share-based payments (note 7)	-	-	228	-	-	228
As at 31 July 2021	223	14,334	1,024	27	20,016	35,624

CONSOLIDATED STATEMENT OF CASH FLOWS

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

Financial Statements

COMPANY STATEMENT OF CASH FLOWS

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Net cash flow from operating activities		
(Loss)/profit for the year	(97)	4,445
Adjustments for:		
Finance and dividend income	(188)	(4,747)
Finance costs	204	242
Income tax credit	(44)	(89)
Income taxes received	-	28
Working capital adjustments		
Decrease/(increase) in trade and other receivables	39	(92)
Increase in trade and other payables	746	21
Net cash used in operations	660	(192)
Cash flows used in investing activities		
Loans from/(to) Group undertakings	8,437	(510)
Acquisition of subsidiary and repayment of vendor loan notes (see note 18)	(30,578)	-
Costs of acquisition	(949)	-
Dividends received	91	4,147
Interest received	97	600
Net cash (used in)/from investing activities	(22,902)	4,237
Cash flows used in financing activities		
Proceeds from borrowings	12,671	-
Repayment of borrowings	-	(1,480)
Proceeds from issue of new shares (net of costs)	14,350	-
Debt issue costs paid	(201)	(132)
Dividends paid	(4,409)	(2,307)
Interest paid	(169)	(126)
Net cash generated by/(used in) finance activities	22,242	(4,045)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents brought forward	-	-
Cash and cash equivalents carried forward	-	-

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

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

2. Basis of Preparation

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

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

Going concern basis

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

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

3. Accounting Policies

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated Financial Statements incorporate the assets, liabilities, income and expenses of the Company and entities controlled by the Company (its subsidiaries) made up to the Company's accounting reference date. Control is achieved when the Company has the power over the investee, is exposed or has rights to variable return from its involvement with the investee and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

Employee benefit trust ('EBT')

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

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The EBT's investment in the Company's shares is deducted from equity in the Consolidated Statement of Financial Position as if they were treasury shares.

Business combinations

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

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

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

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

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

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises

additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Currencies

Presentational currency

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

Transactions and balances

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

Revenue recognition and rebates

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

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

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

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

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Non-underlying items

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

Intangible assets and goodwill

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

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

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

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

Trademarks – 10 years

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

Property, plant and equipment

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

Fixtures, fittings and equipment – 16–50 %

Motor vehicles – 25 %

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

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds

and the carrying amount of the asset, and is recognised in profit or loss.

Impairment of intangible assets and property, plant and equipment

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

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Investments

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

Inventories

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

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell, and an impairment charge is recognised in the Income Statement. Where a reversal of

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the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the Income Statement.

Income tax

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

Current income tax

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

Deferred tax

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

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

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

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

Payroll expense and related contributions

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday

arrangements and defined contribution pension plans.

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

Pension costs

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

Share-based compensation

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

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

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

Dividends

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

Financial instruments

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

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Trade and other receivables

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

Government grants

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

Cash and cash equivalents

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

Trade and other payables

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

Borrowings

Interest-bearing overdrafts and invoice discounting facilities are classified as other liabilities. They are initially recorded at fair value, which represents the fair value of the consideration received, net of any direct transaction costs associated with the relevant borrowings. Borrowings are subsequently stated at amortised cost and finance charges are charged to profit or loss over the term of the instrument using an effective rate of interest. Finance charges,

including premiums payable on settlement or redemption, are accounted for on an accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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

Leases

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

The Group as a lessee:

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

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

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

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

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

Classification as debt or equity

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

Equity instruments

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

Derivatives

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

liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Hedging arrangements

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

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

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

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

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

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Accounting developments

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

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

Standard	Key Requirements
Amendments to IAS 1 and IAS 8: Definition of material	The Group adopted the amendments to IAS 1 and IAS 8 to clarify the definition of material and its application for the accounting period commencing 1 August 2020.
Amendments to References to the Conceptual Framework in IFRS Standards	The Group adopted the amendments References to the Conceptual Framework for IFRS Standards for the accounting period commencing 1 August 2020.
Amendment to IFRS 16 Leases – COVID-19 Related Rent Concessions	The Group adopted the amendments to IFRS 16 Leases – COVID-19-Related Rent Concessions for the accounting period commencing 1 August 2020.

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

4. Critical Accounting Estimates and Judgements

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

Accounting estimates

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

Inventory provisioning

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

amount of inventory provisions at the balance sheet date is £595,000 (2020 – £349,000).

Customer rebates

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

Valuation of derivatives held at fair value through profit or loss

In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third-party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The carrying amounts of derivatives and balance sheet currency exposures at the balance sheet date, together with sensitivities thereon are disclosed in note 26.

Discount rate for leases

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

Valuation of intangibles acquired in a business combination

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

Valuation of goodwill and assets with an indefinite life

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

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

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

Accounting judgements

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

Determination of lease term

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

Recognition of deferred tax assets

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

Going concern

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

We have assumed that our distribution centre operations remain open and that we will continue to be able to sell our products through our online channel and to 'essential' customers who remain open. Whilst the virus may impact across many functions of the business from supply chain to the ability of our retail customers to sell to consumers, it would most likely manifest itself in lower sales volumes and require further consideration of

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actions in relation to operational cost reductions. During the first lockdown commencing in March 2020, the Group took advantage of the Coronavirus Job Retention Scheme ('CJRS') and the various 'Time to Pay' initiatives offered to defer tax liabilities, along with adding a temporary increase to the revolving credit facilities. All Time to Pay deferrals had been repaid by the end of July 2020. The amounts claimed under the CJRS were repaid in full in September 2020 and the Group reduced its borrowings over the period with no requirements to draw on the increased bank facilities.

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

its consolidated and Company Financial Statements.

Determination of useful economic life of acquired brands

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

5. Operating Segments

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

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

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

6. Revenue

Geographical split by location:

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

Analysis of revenue by brand:

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

Analysis of revenue by major products:

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

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Analysis of revenue by strategic pillar:

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

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

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

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Share-based payment expense (note 28)	228	267
Coronavirus Job Retention Scheme repayment/(credit)	466	(466)
Acquisition of Salter Brands Limited	948	-
Total	1,642	(199)

The share-based payment expense relates to the non-cash charge arising on the Management Incentive Plan ('MIP'), the Save As You Earn ('SAYE') scheme and the Performance Share Plan ('PSP') as referred to in note 28.

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

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

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

8. Operating Expenses

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

9. Auditor's Remuneration

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

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

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TO THE FINANCIAL STATEMENTS CONT'D

10. Employee Numbers and Costs

The average monthly number of people employed was

	Group		Company	
	Year ended 31 July 2021 Number	Year ended 31 July 2020 Number	Year ended 31 July 2021 Number	Year ended 31 July 2020 Number
Average number of employees (including Directors):				
Sales staff	69	71	-	-
Distribution staff	56	45	-	-
Administrative staff	171	173	6	3
Total	296	289	6	3

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

	Group		Company	
	Year ended 31 July 2021 Number	Year ended 31 July 2020 Number	Year ended 31 July 2021 Number	Year ended 31 July 2020 Number
Wages and salaries	11,669	10,257	297	208
Social security costs	1,161	977	34	24
Other pension costs	226	247	-	-
Share-based payments	228	267	-	-
Total	13,284	11,748	331	232

Details of Directors' remuneration and pension entitlements are disclosed in the Remuneration Report on pages 72 to 74.

Social security costs payable in respect of the Directors were £199,000 (2020 – £119,000).

The aggregate amount of gains made by Directors on the exercise of share options was £Nil (2020 – £Nil).

11. Finance Costs

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

12. Taxation

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Current tax		
Current period – UK corporation tax	1,591	1,361
Adjustments in respect of prior periods	(27)	(147)
Foreign current tax expense	641	509
Total current tax	2,205	1,723
Deferred tax		
Origination and reversal of temporary differences	43	26
Adjustments in respect of prior periods	(37)	6
Impact of change in tax rate	(16)	(8)
Total deferred tax	(10)	24
Total tax charge	2,195	1,747

Factors affecting the tax charge

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

The tax charge for the year can be reconciled to the profit per the Income Statement as follows:

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

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

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TO THE FINANCIAL STATEMENTS CONT'D

13. Earnings Per Share

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

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

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

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

14. Dividends

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Interim dividend paid in respect of the previous year	906	-
Final dividend paid in respect of the previous year	2,183	2,307
Interim declared and paid	1,320	-
	4,409	2,307
	Pence	Pence
Per share		
Interim dividend paid in respect of the previous year	1.16	-
Final dividend paid in respect of the previous year	2.795	2.93
Interim declared and paid	1.69	-
	5.645	2.93

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

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

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

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

15. Goodwill and Intangible Assets

Goodwill

	Group Total £'000
Cost	
As at 1 August 2020	-
Business combinations (note 18)	9,676
As at 31 July 2021	9,676

Intangible Assets

	Trademarks £'000	Brands £'000	Group Total £'000
Cost			
As at 1 August 2019	111	-	111
Additions	-	-	-
As at 1 August 2020	111	-	111
Additions	111	-	111
Business combinations (note 18)	-	27,072	27,072
As at 31 July 2021	222	27,072	27,294

Accumulated Amortisation

As at 1 August 2019	13	-	13
Charge for the year	12	-	12
As at 1 August 2020	25	-	25
Charge for the year	16	-	16
As at 31 July 2021	41	-	41

Carrying Amount:

As at 31 July 2021	181	27,072	27,253
As at 31 July 2020	86	-	86
As at 31 July 2019	98	-	98

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

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TO THE FINANCIAL STATEMENTS CONT'D

The Company held no intangible assets.

Impairment testing

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

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

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

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

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

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

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

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

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

16. Property, Plant and Equipment

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

Accumulated Depreciation and Impairment	Group			Total £'000
	Fixtures, Fittings and Equipment £'000	Motor Vehicles £'000	Right of use assets £'000	
As at 1 August 2019	2,815	54	2,235	5,104
Charge for the year	691	14	712	1,417
Disposals	(109)	(20)	(829)	(958)
Lease modifications	-	-	(595)	(595)
As at 31 July 2020	3,397	48	1,523	4,968
Charge for the year	778	13	772	1,563
Disposals	(742)	(21)	(9)	(772)
As at 31 July 2021	3,433	40	2,286	5,759
Carrying Amount:				
As at 31 July 2021	3,226	16	2,477	5,719
As at 31 July 2020	1,787	29	3,249	5,065
As at 31 July 2019	1,936	14	3,043	4,993

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

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

The Company held no property, plant and equipment.

17. Investments

	Company	
	31 July 2021 £'000	31 July 2020 £'000
Carrying value at beginning of the year	17,457	17,190
Additions	2,021	-
Share-based payments	228	267
Carrying value at end of the year	19,706	17,457

Additions comprise the consideration of £1,072,000 in respect of the share capital of Salter Brands Limited as shown in note 18, along with associated acquisition costs of £949,000.

At 31 July 2021 the Company owned the following subsidiaries:

	Registered Office	Holding	Proportion of Voting Rights and Shares Held	Nature of Business
UP Global Sourcing UK Limited	1	Ordinary shares	100 %	Supply of branded household products
UP Global Sourcing Hong Kong Limited	2	Ordinary shares	100 %	Supply of branded household products
Salter Brands Limited	1	Ordinary shares	100 %	Supply of branded household products

1. Manor Mill, Victoria Street, Chadderton, Oldham OL9 0DD. UK.

2. Unit B, 13th Floor, Yun Tat Commercial Building, No's 70–74 Wuhu Street, Hung Hom, Kowloon, Hong Kong.

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TO THE FINANCIAL STATEMENTS CONT'D

18. Acquisitions

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

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

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

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

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

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

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

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

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

The acquisition was funded by the combination of a £10,000,000 term loan facility with the Group's bankers, HSBC (see note 24 below), £15,000,000 from the issue of 7,142,857 ordinary shares of 0.25 p each at a price of £2.10 per share (which after costs amounted to £14,350,000, see note 27 below) with the balance funded by capacity within the Group's existing banking facilities.

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

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

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

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

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

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

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

19. Deferred Tax

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

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

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TO THE FINANCIAL STATEMENTS CONT'D

Movement in deferred tax in the year

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

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

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

20. Inventories

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

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

Inventories are pledged as security for liabilities, as referred to in note 24.

21. Trade and Other Receivables

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

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

These balances are subject to an assessment of expected credit losses (see note 26).

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

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

Ageing of past due but not impaired receivables

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

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

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

Details of the Group's credit risk management policies are shown in note 26. The Group does not hold any collateral as security for its trade and other receivables.

The Group holds invoice discounting facilities, which are secured against the Group's trade receivables. Further information can be found in note 24.

Trade and other receivables – company

	Company	
	31 July 2021 £'000	31 July 2020 £'000
Current		
Amounts owed by Group undertakings	2,158	8,158
Other receivables and prepayments	106	137
	2,264	8,295

	Company	
	31 July 2021 £'000	31 July 2020 £'000
Non-current		
Amounts owed by Group undertakings	32,000	-
	32,000	-

The credit risk of related parties is estimated based on the expected recoverable amount, taking into account the creditworthiness of the other party. Any expected credit loss is calculated based on the general approach as set out in IFRS 9. The Directors have determined that there has not been an increased credit risk within the year and no impairment charge has been recognised against these balances.

22. Cash and Cash Equivalents

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

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TO THE FINANCIAL STATEMENTS CONT'D

23. Trade and Other Payables

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

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

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

Trade and other payables – company

	Company	
	31 July 2021 £'000	31 July 2020 £'000
Amounts owed to Group undertakings	2,438	-
Other payables	1,109	-
Accruals	384	217
	3,931	217

24. Borrowings

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

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

Borrowings – company

	Company	
	31 July 2021 £'000	31 July 2020 £'000
Current		
Term loan	2,000	-
	2,000	-
Less: Unamortised debt issue costs	(63)	-
	1,937	-
Non-current		
Revolving credit facility	2,684	13
Term loan	8,000	-
	10,684	13
Less: Unamortised debt issue costs	(135)	-
	10,549	13
Total borrowings	12,486	13
The earliest that the lenders of the above borrowings require repayment is as follows:		
In less than one year	2,000	-
Between one and two years	2,000	-
Between three and four years	8,684	13
Less: Unamortised debt issue costs	(198)	-
	12,486	13

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Having refinanced its banking facilities on 1 October 2019, at 31 July 2021 the Group was funded by external banking facilities provided by HSBC under a five-year agreement which runs until October 2024. As referred to in note 18 above, to provide funding to support the acquisition of Salter Brands Limited, on 24 June 2021 the Group added to its existing banking facilities and entered into a £10,000,000 term loan facility with HSBC. The term loan facility extends to October 2024, as per the existing facilities, with quarterly repayments of £500,000.

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

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

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

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

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

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

Reconciliation of liabilities arising from financing activities

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

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

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	Company			
	At 1 August 2019 £'000	Cash flow £'000	Non-cash changes £'000	31 July 2020 £'000
Revolving credit facility	1,493	(1,480)	-	13
Less: unamortised debt issue costs	-	(132)	132	-
Total	1,493	(1,612)	132	13

	Company			
	At 1 August 2020 £'000	Cash flow £'000	Non-cash changes £'000	31 July 2021 £'000
Revolving credit facility	13	2,671	-	2,684
Term loan	-	10,000	-	10,000
Less: unamortised debt issue costs	-	(201)	3	(198)
Total	13	12,470	3	12,486

25. Lease Liabilities

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

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

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

Discounted lease liabilities

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

Maturity analysis – contractual undiscounted lease payments

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

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Movement in leases in the year

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

Right of use assets

An analysis of the carrying value and depreciation of right of use assets by underlying class of asset is provided in note 16. Details of interest on lease liabilities and foreign exchange in respect of lease liabilities (net of hedging actions) are shown in note 11.

Short-term and low-value leases

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

Commitments in respect of short-term and low-value leases are shown in note 32.

26. Financial Instruments

Principal financial instruments

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

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

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

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Financial assets

The Group held the following financial assets at amortised cost:

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

Impairment of financial assets

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

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

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

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Financial liabilities

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

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

Derivative financial instruments

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

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

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

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

Derivative financial instruments – forward contracts

The Group mitigates the exchange rate risk for certain foreign currency trade debtors and creditors by entering into forward currency contracts. At 31 July 2021, the Group was committed to buy US\$54,875,000 (2020 – US\$32,100,000), to sell €23,575,000 (2020 – €23,025,000), to sell PLN2,800,000 (2020 PLN Nil), to sell CA\$140,000 (2020 – CA\$nil) and to buy

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CNY 4,399,850 (2020 – CNY 6,230,606), paying and receiving respectively fixed Sterling amounts. At 31 July 2021, all the outstanding USD, EUR, PLN and CAD contracts mature within 12 months of the period end (2020 – 12 months). The CNY contracts, which are held to hedge a lease commitment, mature over the length of that lease ending in August 2023. The forward currency contracts are measured at fair value using the relevant exchange rates for GBP:USD, GBP:EUR, GBP:CAD, GBP:PLN and GBP:CNY. The fair value of the contracts at 31 July 2021 is an asset of £97,000 (2020 – £1,335,000 liability).

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

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

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

Derivative financial instruments – interest rate swaps and interest rate caps

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

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

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

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

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

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

	Group	
	31 July 2021	31 July 2020
	£'000	£'000
Trade receivables	25,372	17,979
Prepayments and other receivables not classified as financial instruments	1,172	516
Trade and other receivables (note 21)	26,544	18,495

	Group	
	31 July 2021	31 July 2020
	£'000	£'000
Trade and other payables	27,921	17,072
Other taxes and social security not classified as financial instruments	1,530	542
Trade and other receivables (note 23)	29,451	17,614

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

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a. Market risk

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

b. Credit risk

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

c. Liquidity risk

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

Market risk

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

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

Credit risk

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

Liquidity risk management

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

Foreign currency risk management

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

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

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

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

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

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

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

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

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

Capital risk management

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

- the share capital and share premium account arising on the issue of shares;
- the Employee Benefit Trust reserve arising on the purchase of shares in the Group by the UPGS EBT;
- the hedging reserve reflecting gains and losses on derivative instruments that have been designated as a hedge, for hedge accounting purposes;
- the share-based payment reserve reflecting the cumulative charges recognised in relation to share-based payment transactions; and
- the retained earnings reflecting comprehensive income to date.

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

Fair value estimation

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

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

Maturity of financial assets and liabilities

All of the Group's non-derivative financial liabilities and its financial assets at the reporting date are either payable or receivable within one year, except for borrowings as disclosed in note 24.

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27. Share Capital

Number of shares in issue

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

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

Movements in share capital

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

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

Rights of share capital

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

28. Share-based Payments

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

1. MIP option scheme – 2017

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

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

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

	No. of shares under option 2021	Weighted average exercise price 2021	No. of shares under option 2020	Weighted average exercise price 2020
Outstanding at the beginning and end of the year	2,543,773	-	-	-

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

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

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

2. Save as you earn ('SAYE') option schemes

SAYE 2019

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

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

SAYE 2019	No. of shares under option 2021	Weighted average exercise price 2021	No. of shares under option 2020	Weighted average exercise price 2020
Outstanding at beginning of the year	1,147,254	£0.395	1,268,914	£0.395
Exercised during the year	(5,569)	£0.395	-	-
Granted during the year	-	-	-	-
Lapsed during the year	(92,885)	£0.395	(121,660)	£0.395
Outstanding at the end of the year	1,048,000	£0.395	1,147,254	£0.395

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

SAYE 2020

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

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

SAYE 2020	No. of shares under option 2021	Weighted average exercise price 2021	No. of shares under option 2020	Weighted average exercise price 2020
Outstanding at beginning of the year	-	-	-	-
Exercised during the year	-	-	-	-
Granted during the year	531,595	£0.739	-	-
Lapsed during the year	(4,383)	£0.739	-	-
Outstanding at the end of the year	527,212	£0.739	-	-

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

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Valuation

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

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

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

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

3. Performance share plan ('PSP') option schemes

PSP 2019

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

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

As CSOP shares can only be issued up to a maximum market value at the date of grant of £30,000, and in some cases a larger benefit was required, a top-up nil cost unapproved option was granted to certain employees.

The intention of the Remuneration Committee was to grant awards with a nil exercise cost to the employee, however, under the CSOP scheme, the legislative requirements mean that these options must have an exercise price equal to the market value of a share at the date of grant. The Remuneration Committee therefore decided to issue additional options in a parallel scheme, which are classed as unapproved options. The aim of this scheme is to compensate employees for the exercise price of £0.5917 multiplied by the number of shares obtained by exercising the CSOP options. The number of shares to be exercised in this scheme will depend on the number of shares options that are exercised in the CSOP scheme and the market price of the shares at the date of exercise.

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

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

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PSP 2019	No. of shares under option 2021	Weighted average exercise price 2021	No. of shares under option 2020	Weighted average exercise price 2020
Outstanding at beginning of the year	1,120,000	-	1,120,000	-
Exercised during the year	-	-	-	-
Granted during the year	-	-	-	-
Lapsed during the year	(20,000)	-	-	-
Outstanding at the end of the year	1,100,000	-	1,120,000	-

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

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

PSP 2020

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

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

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

PSP 2020	No. of shares under option 2021	Weighted average exercise price 2021	No. of shares under option 2020	Weighted average exercise price 2020
Outstanding at beginning of the year	-	-	-	-
Exercised during the year	-	-	-	-
Granted during the year	655,000	-	-	-
Lapsed during the year	(15,000)	-	-	-
Outstanding at the end of the year	640,000	-	-	-

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

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

CSOP options at 31 July 2021

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

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Top-up options at 31 July 2021

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

Parallel options at 31 July 2021

Share price at date of grant	£1.1425
Fair value	£0.6140
Exercise price	Nil
Time to expiry (years)	3, 4, 5 and 6 years
Risk-free rate (%)	N/A
Volatility (%)	N/A
Dividend yield (%)	N/A
Employee retention rate (%)	83 % for employees in tiers 1 and 2, 80 % for other employees

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

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

29. Reserves

Share premium

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

Employee benefit trust reserve

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

Share-based payment reserve

The cumulative share-based payment expense.

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Hedging reserve

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

Retained earnings

Cumulative profit and loss net of distributions to owners.

30. Ultimate Controlling Party

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

31. Related Party Transactions

Remuneration of key personnel

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

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

Transactions and balances with key personnel

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

Transactions and balances with related companies and businesses

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

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

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

32. Operating Lease Arrangements

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

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

We always strive to do the right thing.

We recognise the influence we can have, so are implementing processes to make sure it is a positive one.

With the help of our Environmental Committee, we are taking sustainable steps to reduce our carbon footprint through tree planting projects and reducing waste in our offices.

We also strive to create a positive, supportive environment for all of our staff through our Mental Health Awareness Committee.



Environmental committee and new policies



Advanced recycling systems



Mental health awareness committee

When people ask us, **why Ultimate Products?**

SHAREHOLDER INFORMATION



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We say it's because **we are supporting.**

FIVE-YEAR SUMMARY

Set out below are the Income Statements showing the results for each of the 5 years to 31 July 2021.

	Audited year ended 31 July 2021 £'000	Audited year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Revenue	136,367	115,684	123,257	87,571	109,953
Cost of sales	(106,136)	(89,084)	(96,013)	(67,979)	(85,386)
Gross profit	30,231	26,600	27,244	19,592	24,567
Administrative expenses	(20,205)	(17,485)	(18,304)	(13,793)	(16,635)
Profit from operations	10,026	9,115	8,940	5,799	7,932
Finance income	-	-	6	53	-
Finance costs	(518)	(753)	(816)	(470)	(545)
Profit before taxation	9,508	8,362	8,130	5,382	7,387
Income tax	(2,195)	(1,747)	(1,720)	(1,133)	(1,844)
Profit for the period	7,313	6,615	6,410	4,249	5,543

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



NON-GAAP PERFORMANCE MEASURES

	Audited year ended 31 July 2021 £'000	Audited year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
EBITDA	11,649	10,562	10,463	6,974	8,867
Underlying EBITDA	13,291	10,363	10,720	7,166	12,099
Underlying EBITDA margin	9.7 %	9.0 %	8.7 %	8.2 %	11.0 %
Underlying profit before taxation	11,150	8,163	8,387	5,574	10,619
Underlying profit after taxation	8,727	6,504	6,667	4,441	8,374
Underlying earnings per share	10.6p	7.9 p	8.1 p	5.4 p	10.8 p

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

Company Information

UP GLOBAL SOURCING HOLDINGS PLC

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REGISTERED OFFICE

Manor Mill, Victoria Street, Chadderton, Oldham OL9 0DD.

SECRETARY

Graham Screawn

AUDITORS

BDO LLP, 3 Hardman Street, Spinningfields, Manchester M3 3AT.

REGISTRARS

Equiniti Ltd, Aspect House, Spencer Road,
Lancing West Sussex BN99 6DA.

REGISTERED NUMBER

05432142





GLOSSARY

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

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

Term	Definition
‘FY 22’	the financial year for the Group for the 12 months ended 31 July 2022;
‘GDPR’	the General Data Protection Regulation being a legal framework that sets guidelines for the collection and processing of personal information from individuals who live in the UK and the European Union;
‘GHG’	Greenhouse gas. A greenhouse gas (GHG or GhG) is a gas that absorbs and emits radiant energy within the thermal infrared range, causing the greenhouse effect;
‘Group’	the Company and its Subsidiaries from time to time;
‘H1’	the six-month period ended 31 January;
‘H2’	the six-month period ended 31 July;
‘HGV’	heavy goods vehicle;
‘Independent Non-Executive Directors’	Independent Non-Executive Directors of the Company, within the meaning of the UK Corporate Governance Code, being James McCarthy, Robbie Bell, Alan Rigby, and since 21 September 2020 Christine Adshead and Jill Easterbrook;
‘IPO’ or ‘Initial Public Offering’	the Group’s admission to the premium segment of the Official List of the Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange plc on 6 March 2017;
‘KPIs’	key performance indicators;
‘Landed’	the Landed duty paid arrangements pursuant to which the Group imports goods into the UK;
‘LFL’	like-for-like;
‘Net Debt’ or ‘Net Bank Debt’	total borrowings excluding unamortised debt issue costs and less cash balances at the end of the financial year;
‘Net Debt/Underlying EBITDA Ratio’	Net Debt at the end of the financial year divided by Underlying EBITDA for the same period;
‘Nomination Committee’	the nomination committee of the Board;
‘Non-Executive Directors’	James McCarthy, Robbie Bell, Alan Rigby, until 18 September 2020, Barry Franks, and since 21 September 2020 Christine Adshead and Jill Easterbrook;
‘Official List’	the Official List of the UK Listing Authority;
‘PLN’ or ‘Polish Zloty’	the lawful currency of Poland
‘PSP’	Performance Share Plan scheme;
‘Q1’	the first quarter of the financial year;
‘Q2’	the second quarter of the financial year;
‘Q3’	the third quarter of the financial year;
‘Q4’	the fourth quarter of the financial year;
‘QA’	quality assurance;
‘Remuneration Committee’	the Remuneration Committee of the Board;
‘Remuneration Policy’	the proposed Remuneration Policy of the Board;

Term	Definition
‘RIDDDOR’	the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations;
‘SAYE’	Save As You Earn share scheme;
‘SBT’	Science-Based Targets applied to reduce greenhouse gas emissions;
‘SDG’	The UN 17 Sustainable Development Goals;
‘SECR’	Streamlined Energy and Carbon Reporting;
‘SEDEX’	a not-for-profit membership organisation dedicated to driving improvements in responsible and ethical business practices in global supply chains;
‘Sterling’ or ‘GBP’ or ‘£’	the lawful currency of the UK;
‘Subsidiary’	has the meaning given to it in section 1159 of the Companies Act and includes Group companies included in the consolidated Financial Statements of the Group from time to time;
‘TCFD’	the Task Force on Climate-Related Financial Disclosures who has developed a reporting framework based on a set of consistent disclosure recommendations as a means of providing transparency about their climate-related risk exposures;
‘Time to Pay’	the UK government’s scheme promoted after the COVID-19 lockdown to defer the payment of PAYE and other UK tax liabilities;
‘UK Listing Authority’	the FCA in its capacity as the competent authority for the purposes of Part VI of FSMA;
‘Underlying Earnings Per Share’	Underlying Profit for the Year divided by the weighted average number of shares in issue for the year;
‘Underlying EBITDA’	EBITDA after adding back the exceptional items and share-based payment charges;
‘Underlying EBITDA Margin’	Underlying EBITDA divided by revenue for the same period, expressed as a percentage;
‘Underlying Profit Before Tax’	profit before taxation after adding back the exceptional items and share-based payment charges;
‘Underlying Profit for the Year’	profit for the year after adding back the tax effect for the exceptional items and share-based payment charges;
‘United Kingdom’ or ‘UK’	the United Kingdom of Great Britain and Northern Ireland;
‘UPGS EBT’ or ‘EBT’	the UP Global Sourcing Employee Benefit Trust established to hold shares for the benefit of the Company’s employees and to satisfy the vesting of awards under the Company’s share schemes;
‘US\$’ or ‘USD’ or ‘US Dollar’	the lawful currency of the United States of America;
‘VAT Deferral’	the UK government’s scheme introduced after the COVID-19 lockdown to delay the payment of VAT liabilities.

RECONCILIATION OF UNDERLYING PERFORMANCE MEASURES

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

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

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





UP[®]

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