



UP Global Sourcing Holdings plc

Manor Mill
Victoria Street
Chadderton
Oldham
OL9 0DD

+44 (0) 161 627 1400
www.upgs.com

Welcome to the Home of Brands

UP Global Sourcing Holdings plc
Annual Report 2022

2022



Passionate about product

Updating Our Purpose

Our purpose is the centre of everything we do. To embed ESG into our culture, our purpose has been adapted and re-communicated to be more meaningful and demonstrate our aspirations:

We provide beautiful and more sustainable products for every home.

With innovation and sustainability at the forefront, we design, develop and distribute quality branded houseware for our customers and consumers.

Strategic Report

- 01 Highlights
- 02 At a glance
- 03 Investment case
- 04 Chairman's introduction
- 05 Our Culture and Values
- 06 Chief Executive's review
- 08 Market overview
- 10 Business model
- 12 Strategic goals
- 14 Strategy in action
- 15 Key performance indicators
- 16 Environmental, Social and Governance Report
- 26 TCFD and environmental reporting
- 30 Section 172 statement
- 32 Chief Financial Officer's review
- 35 Principal risks and uncertainties
- 37 Viability statement

Corporate Governance

- 38 Board of Directors
- 40 Chairman's introduction
- 44 Audit and Risk Committee report
- 47 Remuneration Committee report
- 71 Directors' report and other statutory disclosures
- 75 Statement of Directors' responsibilities

Financial Statements

- 76 Independent Auditor's report
- 82 Consolidated Income Statement
- 82 Consolidated Statement of Comprehensive Income
- 83 Consolidated Statement of Financial Position
- 84 Company Statement of Financial Position
- 85 Consolidated Statement of Changes in Equity
- 86 Company Statement of Changes in Equity
- 87 Consolidated Statement of Cash Flows
- 89 Notes to the financial statements

Shareholder Information

- 114 Shareholder information
- 115 Company information




Salter Stock Pot
Stylish cooking from hob to oven

Highlights


Operational highlights

- ▶ Salter acquisition fully integrated.
- ▶ Petra brand relaunched and first retailer orders for FY23 received.
- ▶ Successful management of the global shipping crisis and the associated supply chain challenges.
- ▶ Major automated process (robotics) programme launched in Q4.

 For more information: see pages 06–07

ESG highlights

- ▶ Launch of our new ESG strategy.
- ▶ Update of our purpose.
- ▶ Fully refurbished leading edge UK head office and showroom completed.
- ▶ Installation of solar panels as part of our ESG journey.
- ▶ Grant of 2022 SAYE scheme options.

 For more information: see pages 06–07

Financial highlights

Revenue

£154.2m

+13% FY21: £136.4m

Adjusted EBITDA*

£18.8m

+41% FY21: £13.3m

Adjusted EPS*

14.7p

+32% FY21: 11.1p

Statutory EPS

14.3p

+54% FY21: 9.3p

Full year dividend per share

7.12p

+42% FY21: 5.02p

* Adjusted measures are before share-based payment expense and non-recurring items.



We are delighted that despite another challenging year, our team has delivered record financial results.

Simon Showman, CEO

 For more information: see pages 06–07

At a glance

Ultimate Products is the owner of a number of leading homeware brands including Salter (the UK's oldest housewares brand, est. 1760) and Beldray (est.1872).

As such, we manage, design, and develop a wide range of mass-market focused consumer goods brands, focused on the home. Our extensive range of original branded products creates the opportunity for retailers to price our products competitively compared to their own-label equivalents.

Who we are

Ultimate Products bring the best branded homewares products on the shelves, both in the UK and around the globe. We provide well-known retailers with the latest innovative products across our premier brands.

From our global offices, we have built strong working relationships with a network of 230 factories manufacturing and distributing exciting products for over 300 valued retail partners in 45 countries.

From the initial concept right through to the product on the shelf, creativity and sustainability are key. Positioned alongside other big names, our marketing and branding set us aside from our competitors, with sleek and on-trend designs, excellent quality photography and cutting-edge videos, showcasing our bestselling products.

We employ

300+

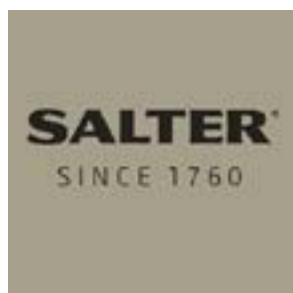
people across the business

We sell to

300+

retailers across 45 countries

Our premier brands



Investment case

What sets us apart:

We are passionate about product

Our ambition is to be in every home across the UK and Europe

Compelling customer proposition

Because we love our brands, we develop ranges of products that consumers want to buy. This, combined with our willingness to go the extra mile for our customers, makes us a partner of choice for over 300 retailers.

Investment in our people

From our Board downwards UP works as a team with a clear sense of purpose. We are proud of how we develop and invest in our diverse team of people, through our graduate programme, through our advancement of our colleagues, and shared reward between stakeholders.

Established international presence

Whilst our heart is in Oldham, our outlook is international, with our China office ensuring strong relationships with suppliers, and our European sales offices providing new growth opportunities with international retailers.

Investment in systems

Our position in the supply chain brings a complexity that must be carefully managed. We see this as an opportunity as it is a barrier to entry for competition. We continue to develop our systems with a relentless focus on driving productivity through the use of automation.

Leading ESG approach

As a business we strive to do the right thing. We care about our people, our community, and our environment. As such, we take our responsibilities in the face of climate change seriously, led by our ESG committee.



Salter Fern Kettle & Toaster
Coordinated and on-trend
countertop electricals

Chairman's introduction



I am pleased to introduce the Annual Report for FY22, a year in which the business again demonstrated its resilience and adaptability by delivering a record financial performance against a backdrop of a shipping crisis, general supply chain disruption and COVID-19.

Despite these challenges, the Group has increased adjusted EPS by 32% through the successful integration of the Salter acquisition and delivering stable revenues and margins in its core business.

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

This year has seen the company make excellent progress towards its environmental and social sustainability agenda and ensuring ESG principles are embedded into the foundations of the business through a comprehensive strategy being implemented across the Group. Its importance has helped redefine our purpose and enhanced our core values, which will help us tackle the impact that our business makes. Our ambitions include clear targets, the achievement of which over time aim to make a difference to our business but are also aligned to our customers' needs, ensuring we can provide them with an even greater service.

I am confident that we are now on our journey to becoming a more sustainable business, with an improved governance structure and our commitment to TCFD. It has been a pleasure to see the engagement and passion from our colleagues in this area of the business, where new ideas are continually being presented to the Board for consideration.

Head Office Investment

In September we welcomed colleagues back to our head office, Manor Mill, having completed our £2.0m investment to provide a best-in-class working environment and additional capacity for future growth. This investment is an important step in the development of our talent through collaborative working and the interchange of ideas. It is an important part of an overall approach whereby we have created an effective post-pandemic way of working, allowing us to better serve our customers. In addition, we have installed 1,150 roof solar panels which is a key development to our commitment to Net Zero.

Employee Share Participation

The Group has a history of extending equity participation to the wider colleague base with the objective of increased incentivisation and retention of talent. During the year, share option awards were granted under the PSP to key managers and under the SAYE Scheme to all qualifying colleagues in the UK who wished to participate. As substantial shareholders, Simon Showman (CEO) and Andrew Gossage (Managing Director) did not participate in the schemes.

This allows grants under the PSP Scheme to be made to a wider group of managers including those who are up and coming, helping to secure the Company's future talent pool.

It is intended that the exercise of options will be fully satisfied through ordinary shares held in trust by the EBT. To this end we commenced an EBT share purchase programme with the objective of mitigating the dilutive impact of share option awards and through this improving overall shareholder returns.

Board Changes

Chris Dent joined the Board on 4 April 2022 as CFO-designate, taking over as CFO from Graham Screawn when he retired from the Board on 1 August 2022. Chris joined the Group from Franchise Brands plc and has extensive public markets experience, and we look forward to him playing a key role in Ultimate Products' ambitious plans for the future.

Over the past 12 years Graham has played an instrumental role in the Group's journey from a privately owned business to a well-established quoted company. We wish him all the very best for his retirement and thank him for the enormous contribution that he has made to the Group's success.

Dividends

The Board has an established dividend policy of distributing 50% of the Group's underlying profit after tax. A final dividend is recommended of 4.82p per share (FY21: 3.33p) to give a total dividend of 7.12p per share for the full year (FY21: 5.02p), an increase of 42%.

Summary

FY22 was another year of challenge in which the Group has once again responded exceptionally well to the various external pressures imposed upon it. Whilst this response has been helped by our flexible business model and strong balance sheet, it would also not have been possible without the efforts of our remarkable colleagues.

Our Culture and Values

Our values are the foundations of the Company and underpin our purpose, shape our culture, and influence the business decisions we make.

This year, a new value has been introduced to reflect our ongoing approach and align with our new purpose: We care about the environment.

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 they have done over the past year.

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

James McCarthy

Chairman

2 November 2022

Our Values



We are passionate about product



We always strive to do the right thing



We love our brands



We invest in our people



We care about our community



We go the extra mile for our customer



We care about the environment

Chief Executive's review



Integration of the Salter Acquisition

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

Shipping Crisis

During 2021, global shipping capacity was severely constrained because of worldwide port congestion. The drop in capacity caused a substantial increase in the cost of shipping leading to downward pressure on gross margins, which we were able to offset this by actions elsewhere. During 2022 there has been an improvement in availability and reliability which has led to a softening of rates, although these remain substantially higher than historic norms. The Group has successfully navigated the worst of the shipping and wider supply chain crisis and, as the situation continues to normalise, we see this providing significant upside to the business in

the medium term through the reversing of the downward pressure on margins that it represented and the additional revenue opportunities that have arisen from improved stock availability.

Robotics Process Automation

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

Petra Brand Update

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

Russell Hobbs Licence

Post year end the Group renewed its "Russell Hobbs" trademark agreement which grants the Group an exclusive licence in the United Kingdom, Europe, Australia and New Zealand for non-electrical kitchen and laundry products.

The new agreement is on a rolling four-year basis, rather than the previous fixed-term arrangement.

International

International revenue was ahead of last year by 22% (£9.7m) to £53.1m (FY21: £43.5m) with Germany continuing to perform particularly well, up 39% (£5.3m). From a low base, we are also seeing strong growth in Rest of World since we appointed our Australian distributor, with revenue up 177% (£2.0m) to £3.2m (FY21: £1.2m). The prospects for our international business, which is mainly focused on Europe, remain very encouraging. The appointment of a European Adviser to assist in opening new major accounts is providing additional strategic focus and know-how to our international efforts.

Supermarkets

Our brands continue to resonate with supermarket customers in both the UK and Europe which led to robust growth in FY22 with revenue up 32% to £51.5m (FY21: £38.9m). The core business, excluding the Salter acquisition, grew by 20% to £46.6m (FY21: £38.9m). The key contributors to growth in this segment continue to be the Salter, Beldray and Russell Hobbs brands. With Supermarkets now accounting for 33% of revenue (FY21: 29%), they have overtaken Discounters as our largest revenue channel. This performance has been driven by improved consumer awareness and perception of our brands, allied with excellent service execution and aligned ESG values.

Online Platforms

Online grew by 23% (£4.7m) in the year to £25.3m (FY21: £20.6m) with our core online business, excluding the Salter acquisition, remaining broadly level at £20.3m (FY21: £20.6m). Online was adversely affected in H122 by the tighter stock availability caused by the disruption to shipping leading to a decline in revenue of 13%. We saw this as a temporary set-back in the rapid and long-standing growth of our online business. When availability returned in H2 22 so did the growth with revenue up 20% (£1.8m) on the same period last year. We expect this strong online momentum to run on into FY23 and target for 30% of overall revenue to come from online over the medium term. While the majority of our online revenues will always come from sales



**Progress Hot Chocoluxe
Hot Chocolate Maker**
Indulgent and luxurious

Our Customers

01. International

We have scope to grow our sales across Europe, with the aim that they make up 50% of sales.

02. Supermarkets

Our brands continue to resonate with supermarket customers in both the UK and Europe.

03. Online Channels

We have a proven online strategy in the UK, with sales doubling in the past 3 years.

04. Discounters

In difficult economic times, consumers will turn to Discounters.



For more information:
see pages 08-09

made through platforms, an exciting development for growth will come from our re-launched Salter and Beldray web sites, which will also facilitate a more direct relationship between our brands and their consumers.

Discounters

Sales to discounters fell by 7% (£3.4m) to £48.1m (FY21: £51.5m) with the core business falling by 8% (£4.1m) to £47.4m (FY21: £51.5m) with UK retailers that remained open during lockdowns, and therefore saw a pandemic-related spike in demand, now moderating their ordering as demand normalises. In addition, the account management of certain European discounters, who often prefer to trade face-to-face rather than via video conference, was made more difficult because of the travel restrictions during 2021. Looking through the volatility that has been caused by the pandemic, discount remains, we believe, a growth segment within overall retail. We will continue to target it as one of our key growth channels.

Operating Margins

Gross margin increased to 24.9% (FY21: 22.2%) driven by the benefits of the Salter acquisition with the Salter licence royalty now no longer payable and the addition of the higher margin scales business. Core gross margins remained stable compared to last year which was a significant achievement given substantially increased shipping costs. The combination of higher revenues,

higher gross margin and overheads broadly stable relative to revenue led to a 41.1% (£5.5m) increase in adjusted EBITDA to £18.8 m (FY21: £13.3m) with adjusted EBITDA margin improving 2.4% to 12.2% (FY21: 9.7%).

Current Trading and Outlook

The Board anticipates profit performance for FY23 will be in line with current market expectations. Whilst the current cost of living crisis represents a substantial challenge to all consumer-facing businesses, the Group is well placed to respond to this given its relentless focus on delivering value and growth.

Simon Showman



I am delighted with the integration of the Salter brand within the Ultimate Products family, and am excited to see how the UK's oldest housewares brand will help us to grow across Europe.

Market Overview

Seizing opportunity



Our successful growth of Beldray shows what is achievable from a heritage brand, and will be replicated with Salter & Petra across Europe.

Jenny Stewart
Commercial Director

Ultimate Products is the owner, manager, designer, and developer of a wide range of mass-market value-led consumer goods brands, focused on the home. Our extensive range of original branded products create the opportunity for retailers to price our products competitively compared to their own-label equivalents.

The overall global homeware market was valued at around \$1.4 trillion and is estimated to reach \$2.0 trillion by 2030. This increase in an already large market is being driven by long-term trends in working patterns and changes in lifestyle, which have resulted in higher labour participation rates and higher average household income. Part of the changes seen mean that as more time is spent at work, consumers are increasingly purchasing smart and advanced home appliances for convenience and comfort at home. In supplying to this growing market, we choose to concentrate our efforts around five major product areas, and our five premier brands:

Product Areas

- ▶ Small Domestic Appliances
- ▶ Cookware
- ▶ Laundry
- ▶ Audio
- ▶ Heating & Cooling

Premier Brands

- ▶ Beldray
- ▶ Salter
- ▶ Petra
- ▶ Progress
- ▶ Kleeneze

Our route to market is focused around four key growth drivers:

- ▶ International Retailers
- ▶ Supermarkets
- ▶ Online Platforms
- ▶ Discounters

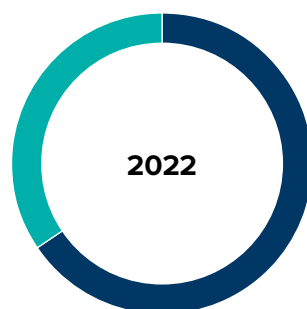


Kleeneze 3 Tier Airer
Colourful and practical solutions

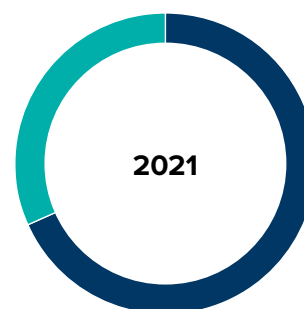
	2022 £'000	2022 %	2021 £'000	2021 %	Change £'000	Growth %
▶ United Kingdom	101,050	65.5%	92,916	68.1%	8,134	9%
▶ Germany	19,231	12.5%	13,882	10.2%	5,349	39%
▶ Rest of Europe	29,700	19.3%	27,720	20.3%	1,980	7%
▶ USA	990	0.6%	688	0.5%	302	44%
▶ Rest of World	3,220	2.1%	1,161	0.9%	2,059	177%
	154,191	100.0%	136,367	100.0%	17,824	13%

International

We are a global business, already selling into 45 countries worldwide and with 32% of our revenues coming from international customers. However, we have significant room to expand, especially within Europe. With a population of 447m, our market penetration is significantly less than it is within the UK. Although there are differences between the habits of consumers in different markets, we believe that our product offer of branded general merchandise at mass-market prices is compelling for consumers in all territories, just as much as it is in the UK. International expansion will help to diversify our customer base and provide further resilience in demand for our branded products.



▶ UK: 65.5%
▶ International: 34.5%



▶ UK: 68.1%
▶ International: 31.9%

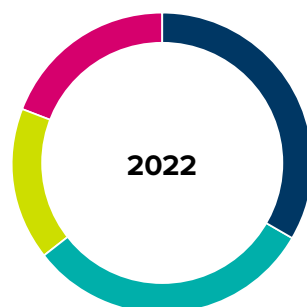
	2022 £'000	2022 %	2021 £'000	2021 %	Change £'000	Growth %
▶ Supermarkets	51,523	33.4%	38,914	28.5%	12,608	32%
▶ Discount retailers	48,126	31.2%	51,526	37.8%	(3,400)	-7%
▶ Online channels	25,321	16.4%	20,590	15.1%	4,731	23%
▶ Multiple-store retailers	17,312	11.2%	15,578	11.4%	1,733	11%
▶ Other	11,909	7.7%	9,757	7.2%	2,152	22%
	154,191	100.0%	136,367	100.0%	17,824	13%

Supermarkets

We have long-standing trade relationships with all of the major UK supermarkets but, historically, our penetration has been relatively low. The largest 20 European retailers sell £855bn of goods per annum, and we sell £73m to them. We believe that our branded products, competitively priced compared to the own-label equivalents, are very appealing to supermarket customers. Our aim is 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 a highly efficient service proposition and increased LFL sales.

Online Channels

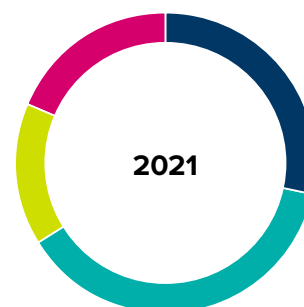
Online accounts for over 25% of non-food retail sales in the UK. In FY22, online channels accounted for 16% (FY21: 15.1%) of our sales. Clearly there is significant opportunity for further growth through platforms such as Amazon, and our objective is to grow this business to 30% of revenue over the medium to long-term. In addition, we believe that there is further scope for growth via a roll-out across selected international platforms.



▶ Supermarkets: 33.4%
▶ Discount retailers: 31.2%
▶ Online: 16.4%
▶ Multiple-store retailers: 11.2%
▶ Other: 7.7%

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.



▶ Supermarkets: 28.5%
▶ Discount retailers: 37.8%
▶ Online: 15.1%
▶ Multiple-store retailers: 11.4%
▶ Other: 7.2%

Business model

A model for growth

We develop

Spotting trends early, being innovative and developing new and existing products at pace is key for providing competitively priced, and more sustainable product ranges that consumers want in their homes.

We source

Our buying teams derive products from 16 countries with over 95% coming from China. We have a sourcing office in Guangzhou in China which keeps us close to our suppliers. To protect our brands and ensure the quality and sustainability of what we source, we have in-house teams of quality assurance professionals. We are a member of SEDEX and audit our key suppliers to the ETI Code of Conduct.

We brand

We are privileged to own Salter the UK's oldest housewares brand, established in 1760, and Beldray, established in 1872. We also have a wide portfolio of other brands, such as Petra, Progress and Kleeneze. We are passionate that the products we source reflect the prestige of these brands. Through our innovation and marketing we build and grow awareness of these brands.

Our priorities when pursuing our strategy are:

To generate **repeat** business and through this deliver increased revenue and higher operating margins.

To have a **unique** product offering achieved through innovation and a focus on our brands.

We sell

Our UK and European sales teams sell to over 300 retailers in 45 countries. In addition we have a growing online business with direct to consumer offering. Supply channels include bespoke forward orders as FOB or landed, along with a growing direct-from-stock option.

We distribute

Our supply chain team ensure smooth service for our customers, helping navigate the significant headwinds that have been experienced in shipping and haulage through our deep and long-lasting relationship with trusted partners. We have developed systems and applications that can manage the complexity of supplying retail and online in a cost-effective and scalable manner.

We invest

It is our people that drive our business model, from product development, to buying, to design, to QA, to shipping. We are, therefore, proud of our investment in our people and our sustainability. In particular, our graduate development scheme has been key in building our success.

We grow

At the centre of our strategy is our desire to become the leading supplier of quality homeware products with an ambition to be in every home across the UK and Europe; this leads to us increasing sales & profits, and growing value for our shareholders.



For more information:
see pages 12–13

To have best-in-class **execution** in everything that we do.

To be **focused** on our four key growth drivers.

To exercise strong **financial disciplines** in management of operating costs, cash and risk.

Strategic goals

Our purpose is to provide beautiful and more sustainable products for every home, and our strategy is to develop our portfolio of consumer goods brands, lead by Salter, Beldray and Petra.

Strategic pillars

Goals

Progress

Growing our international sales reach

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.

Europe is becoming an increasingly important part of Ultimate Products' strategy, and the Group has a number of strong and growing relationships with leading supermarkets in the region.

Our goal is to expand our geographical sales reach so that international sales make up 50% of our total revenues.

In the last financial year, the Group's International revenue represented 34% of total sales, and it currently sells into 45 countries worldwide. Germany, where the Group has an office and a showroom in Cologne, performed particularly well with revenue up nearly 39% on the prior year.

In March this year, Ultimate Products also announced that its Petra brand had received its first substantial order from one of Germany's leading retailers.

In June the Group announced the appointment of an external advisor to its European business.

Expanding our online offering

Online accounts for over 25% of non-food retail sales in the UK. In FY22, online channels accounted for 16.4% (FY21: 13.4%) 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.

Over the past five years, have seen significant growth in our online business, as sales have grown from £6.9m to £25.3m.

Overall online sales grew by 23% in the current year. However, as a direct result of the shipping crisis which reached its peak during the summer of 2021, we held back sales of our online offering direct to consumers to concentrate on supplying our retail customers. This meant that despite growing demand organically online sales slipped 1% due to lack of stock. When availability returned in H2 22 so did the growth with revenue up 20.0% (£1.8m) on the same period last year.

Refining our brand and product development

One of the additional advantages of concentrating growth in international and online sales is the extension of product life, as current product lines can be sold to new consumers through different channels. This means that we can tighten our product development process to bring a better, refined number of products to market.

In the current year the business has sold over 3,100 different products, and has brought to market 909 new products over the last year, compared to bringing 1,069 new products in FY21.

Investment in our systems and processes

Our position in the supply chain between manufacturers and demanding retailers brings complexity. Our systems and processes allow us to manage this complexity for our customers.

Therefore, a key part of the Group's strategy for developing our business is the automation of as many of our processes and interactions as possible. This will not only enhance customer service and thereby increase sales, but also improve corporate efficiency, reducing costs and increasing profitability.

Our position in the supply chain brings a complexity that has been carefully managed to provide the best service to our customers. The complexity represents a significant barrier to entry for our competition. As part of this journey we have already invested in a modest number of additional heads in our process automation team, rather than through significant capital expenditure.

Focus for next year

Our focus is to grow our Supermarket business and increase market penetration with leading retailers across the EU, by establishing our brands and developing strong relationships with retail buyers. Our proven ability to cope with external headwinds, whilst continuing to innovate and adapt to the consumer needs, results in excellent level of customer service, which will help to foster relationships with new customers.

To build these relationships we have evaluated our hiring needs and plan to recruit European sales executives with relevant retail expertise.

In addition, we expect that online will be an important part of our European sales growth.

Over the upcoming year we are investing in a number of international trade fairs including IFA (Berlin) and Ambiente (Frankfurt) which are crucial marketing tools to help boost our brand awareness and allow us to introduce our business to a wider EU market.

As our key priority we will deploy the highly developed UK Amazon strategy across the EU Amazon accounts, with a particular focus applied to our electrical offer and the launch of the Petra brand.

As a result, this enhanced focused approach will increase the speed at which products move from being sold by us on Amazon marketplace to being sold by Amazon directly, which increases the efficiency of the online offering; and we will continue with the enhancement of our online accounts aside from Amazon, to provide resilience and a more diversified consumer base. This includes a focus on our own direct-to-consumer websites of Salter.com and Beldray.com.

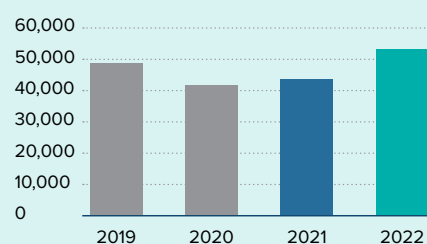
Our focus is to increase product lifespan, allowing a reduction the number of new products developed from 1,000 products to 600 products a year, in order to give each product more development time which will lead to better executed products, more in tune with consumer desires. In addition, a tighter focus on product development, allows for more scalability of the business, bringing operating efficiencies to the business as it grows.

The next step in this journey is the continued investment in robotics across the entire business to automate hundreds of tasks, which we have already identified. Through this, we expect to see increased productivity and improved accuracy, resulting in enhanced operating margins and an even better customer experience.

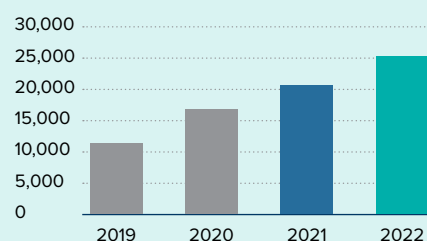
Our ambition is to develop a best-in-class process to provide seamless customer service.

Performance

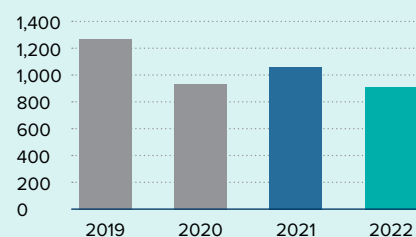
International sales £'m



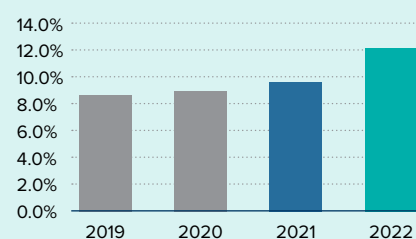
Online sales £'m



New products developed



Operating margin %



Strategy in action

Launch of Petra

In February 2021 Ultimate Products purchased Petra, a German kitchen electrical brand. Founded in 1968 in Bavaria as a manufacturer of electrical equipment, Petra originally specialised in coffee machines before expanding its range into other areas of kitchen electrical products.

In recent years, the brand had been less used by its current owner although market research showed that it remains well known to German consumers. The acquisition sought to repeat the success of our previous brand acquisitions, most notably Beldray, Progress and Kleeneze, by relaunching Petra with a suite of innovative new products and a dynamic marketing strategy.

During the first year of ownership, we developed a new range of products using our design team and our suppliers. The Petra brand was relaunched and refreshed with a new range of kitchen electrical appliances. Using our European sales team we were able to

secure a new order, worth €1 million, for Petra kitchen electrical items including waffle makers, air fryers and multi-meal makers, which will be available in the retailer's stores in late 2022 or early 2023. Although sizeable, this initial order is preliminary and there remains significant potential for further Petra sales growth with this customer in the future.

The Petra brand has found a home which can leverage its heritage and reputation for quality. In addition, the brand resonates with German consumers, which helps our strategic aim of growing internationally, especially within Europe, to both retailers, and direct to consumers online.

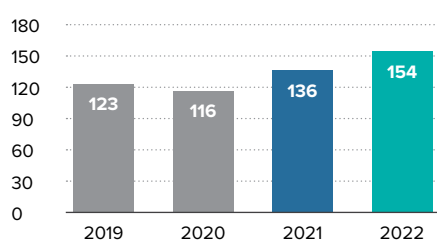
A woman with long brown hair, wearing a white shirt, is smiling and standing next to a black Petra Dual Air Fryer. The air fryer is open, showing golden-brown fries inside. A plate of food is visible on the counter next to the air fryer. The background is a dark kitchen setting.

Petra Dual Air Fryer
Tasty and energy efficient way to cook

Key performance indicators

Measure	Description	Performance
Revenue (£m)	The revenue in the period.	Revenue is up 13%, driven by the acquisition of Salter.
Sales per Head (£'000)	Revenue for the period divided by the average number of employees & relevant temporary staff in the period.	Sales per head has increased by 2%, as headcount increase has supported the increase in revenue.
Gross Margin Percentage (%)	Gross profit for the period divided by revenue for the period.	GM% has risen to 24.9%, despite the headwind of shipping costs being higher.
Adjusted EBITDA (£m)	Profit before interest, tax, depreciation and amortisation, excluding charges for share-based payments and other non-underlying charges.	Adjusted EBITDA has increased 41% on the back of the contribution by the Salter acquisition.
Gearing Ratio	Net bank debt at the end of the period divided by underlying EBITDA for the period.	Gearing ratio has decreased from 1.4* to 1.3* on this basis.
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.	Due to the global shipping crisis, our on time delivery % has slipped during the year, however the overall % is still very high.

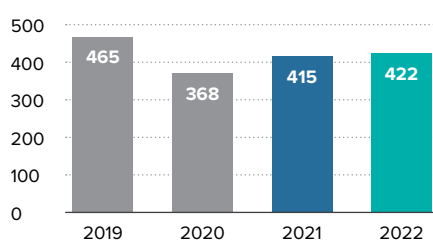
Revenue (£'000m)



Change:

+13%

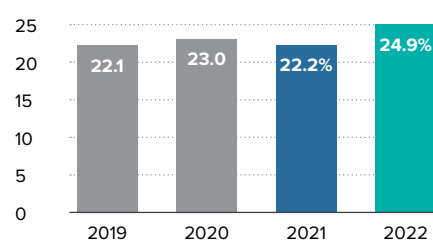
Sales per Head £'000s



Change:

+2%

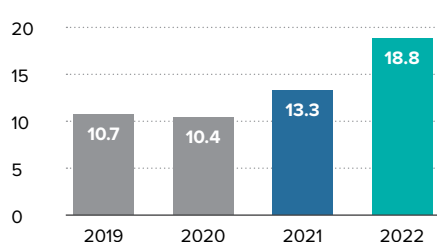
Gross margin %



Change:

+12%

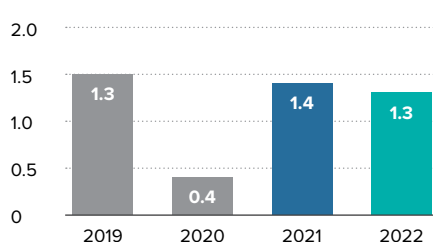
Adjusted EBITDA £m



Change:

+41%

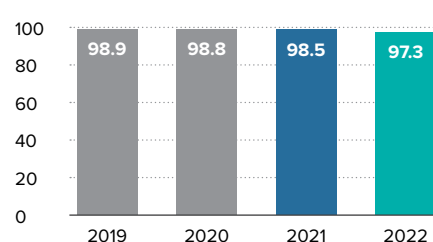
Gearing ratio



Change:

-8%

On Time Delivery %



Change:

-1%

Environmental, Social and Governance Report

Updating our purpose

Ultimate Products has spent over 20 years providing “beautiful products for every home” and our values and culture are built upon ethical practices, continuous improvement, harnessing talent and striving to do the right thing within its business, its stakeholders and the local community.

So far, much of our ESG work has been aligned to our core values and relates to good governance, our community work, ensuring an ethically compliant supply base and the investment made in our colleagues.

Our business model is to develop branded household goods using third-party overseas manufacturers and to deliver them globally for consumers. To achieve this, we use a global supply chain function including many partners and have growing operations across Europe, with our two biggest sites in Oldham. To make a real difference, our focus must be to continue to understand and then tackle the climate change issues this business model creates, whilst ensuring ESG principles are integrated into all that we do. It is important that we recognise our impact on the world and set a plan to make our own positive contribution from an environmental and social perspective.



Our new strategy has given our focus and motivation on how and where we can make a real difference in the areas we are targeting.

Jill Easterbrook

Chair of the ESG Committee

This year saw the development of a strategic plan to focus our ESG efforts onto a suitable roadmap for the future. The strategic plan was developed by the ESG Committee, approved by the Board of Directors, and aims to:

- Set a course of action to ensure ESG is further embedded into our culture, business model and strategy.
- Explain and address our material risks and opportunities by refocussing our ESG work, setting aims and clear targets, whilst keeping to our core values.
- Introduce means to measure and report our progress effectively, ensuring necessary regulatory compliance.
- Where possible, align our ESG work and targets to those of our retail customers to provide a best-in-class service whilst enhancing our reputation and competitive position.

During 2022, the strategy was communicated to our wider stakeholders and implemented internally across our colleague teams. A summary of the key changes created by the strategy is detailed in this report, along with a progress update against our non-financial KPIs and key actions that have taken place on our journey this year. For more detailed information, you can find the strategy document on our website at <https://www.upgs.com/investor-relations/>.



Beldray Spot Buster
Remove tough stains, spills and messes

In the coming years we will continue to monitor and complete regular assessments of material issues as our ESG journey develops with the ongoing engagement of our stakeholders.

Our commitment to ESG starts at the highest levels of our Company with oversight from the Board of Directors and Board-level committees, in particular the ESG Committee. This Committee, chaired by Jill Easterbrook, comprises of a blend of main Board and operating Board Directors with expertise and sound knowledge of the organisation, an ability to influence real change internally and have sufficient and regular engagement with external stakeholders across all areas of the business to gain feedback and necessary insight.

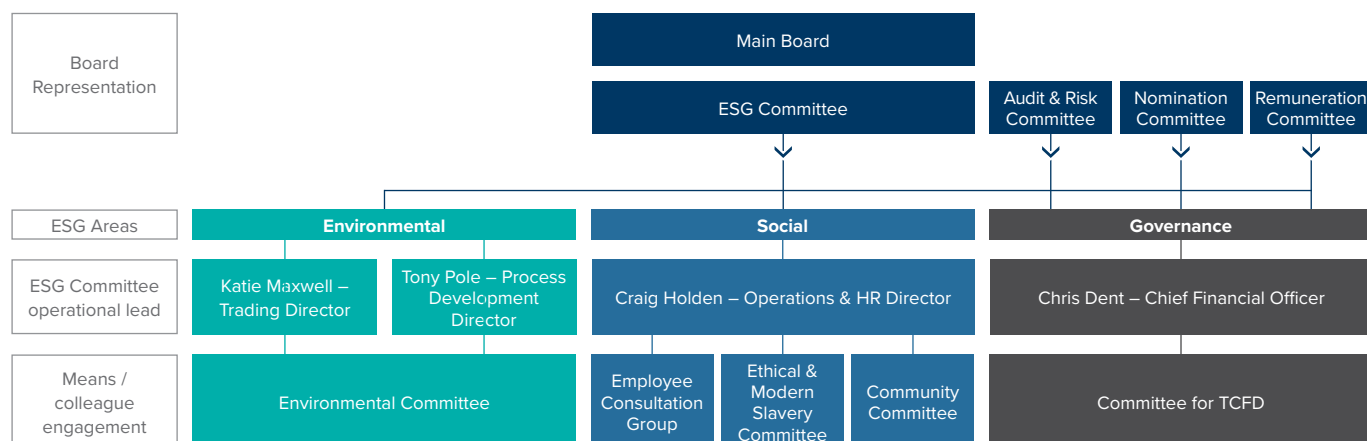
The Committee's role has been refined to ensure the Group is on course to achieve the strategic aims and targets, maintain governance oversight of material ESG issues, along with consideration of stakeholder feedback and external market conditions. Representatives from the ESG Committee now act as a lead on relevant ESG aims and areas to their role in the Group. Their role is to drive positive change and be a communicative link between the Committee and wider workforce during day-to-day activities and within colleague committees.

The Committee is now supported by an external partner, whose expertise and up to date knowledge ensure that the Committee is effectively guided in advance on the latest external requirements, regulation, and new trends within the ESG agenda.

Our TCFD sub-committee was formed this year and is chaired by our CFO, Chris Dent. This group looks at climate related risks and play an active part in the necessary scenario planning needed for the business to manage and mitigate these risks.

Our Environmental Committee, comprising passionate colleagues, will help generate ideas, monitor progress, and implement change within the day-to-day activities of the business, all contributing towards managing our risks at colleague level.

A diagram demonstrating how ESG is managed within the Group is detailed below:



We have engaged with our stakeholders and carried out a materiality assessment which identified a top ten list of issues within the Group's business model perceived as having the largest negative impact. These issues were overlayed with what are seen as areas of the biggest opportunity for positive change creating a top five:

1. The Energy/CO₂ consumption in our operations and wider supply chain
2. Product packaging
3. Product life cycle and design
4. Product quality
5. Workforce diversity and inclusion

Environmental, Social and Governance Report continued

UN Sustainable Development Goals

The United Nation’s 17 sustainable development goals (UN SDGs) are an externally recognised global framework for driving progress toward a more sustainable future. We have reassessed which of these goals are relevant to our ambitions and where we can either directly contribute through our own actions or indirectly through the initiatives of Ecologi, our climate action partner. The UN goals that are now relevant to our ambitions and aligned to our strategy are:



Developments in our Reporting

We have partnered with a carbon accounting specialist, who are assisting the Group with new data collation, completing a carbon assessment, and building reporting functionality that enable the Group to accurately track our progress and meet necessary reporting compliance. All progress will be based against a baseline year of financial year 2019 (the last stable year before COVID) unless reasons relating to regulatory requirement or insufficient data prevents this. This new method of reporting will be fully available by Autumn 2022.

Non-financial KPIs and targets

In support of our commitments, we measure a range of non-financial KPIs as set out in the table below that have been reassessed and refined this year to ensure greater focus on our material ESG issues, whilst also meeting our aim of supporting our retail customers through greater alignment to their ambitions. We have set most of our target dates within an initial 5–10-year period which we believe are achievable, but also allow flexibility to adapt these as our business grows, evolves and market conditions alter.

Focus Areas	KPIs
Aim: To Provide Beautiful and More Sustainable Products	
<ul style="list-style-type: none">• Product packaging• Product quality & life span• Product end of life• Consumer education	Product Packaging
	Plastic
	<ul style="list-style-type: none">• Reduce plastic packaging by 50% and maintain by 2025 compared to our baseline• 100% of remaining plastic packaging to be recyclable or reusable by 2025
	Paper
	<ul style="list-style-type: none">• 100% of card and paper product packaging to be FSC-certified by 2027• 100% of cardboard and paper product packaging to be 100% recyclable by 2025• Remove/reduce lamination on paper product packaging by 2025
	Product Quality
<ul style="list-style-type: none">• To maintain an average Amazon rating of 4.2 or above for all live products.	
Materials	
<ul style="list-style-type: none">• 100% of wooden products/components to be FSC-certified by 2027	
Lifespan & End of Life	
<ul style="list-style-type: none">• To increase the number of SKUs with spare/replacement parts available for purchase.• To provide consumer education through an increase in use of QR codes for easy access to product care information, video guides and advice on responsible waste disposal• To maintain a rate of below 5% for returns that go to WEEE waste or scrap	
The above targets apply to all products under the Group’s brands only.	

Focus Areas

KPIs

Aim: To Have Net Zero Carbon Emissions from Manufacturing to Delivery

- Fuel & Energy consumption in operations
- Far East Supplier base
- Logistic partners in supply chain
- Effective Carbon reporting
- Net Zero for Scope 1 & 2 by 2040
- Net Zero for Scope 3 by 2050

Aim: To be a Great Place to Work for All

- Diversity & Inclusion
- Colleague Engagement
- Training & Development
- Women in leadership
- Fair Pay
- Colleague well being
- 90% Great Place to Work score on engagement survey by 2025
- Gender balance in Leadership roles by 2030
- Maintain gender pay median at 5% differential or less
- 40% of Board representation (Op or Main) to be female by 2025
- 20% of the UK workforce to be from ethnic minorities by 2030
- An average of 40 hours training and development hours per person per year by 2030

Aim: To Ensure Safe Places to Work

- Ethical supplier base
- Modern slavery
- Safe working environments
- 100% Suppliers Audited by 2025
- 0 H&S Reported Incidents on the Group's sites
- 0 Modern Slavery & Bribery reports within the Group and our wider supply chain

Aim: To Support our Communities

- Support vulnerable people through local charities and initiatives
- Support local youth to gain access to education, further training, and employment
- Support local job opportunities
- Provide £150k of charity support and fundraising by 2035
- 60% of UK workforce to live locally 2030



Our commitment to net zero will be challenging, especially within our wider supply chain. However, our reporting software will give us insight to engage with our partners on effective solutions to make the positive changes needed.

Tony Pole

Process Development Director

Progress Knife and Chop Board
Make Progress in the kitchen



ESG Report – People

We care about our people

Much of our success relates to its talented people and providing them with opportunities and an environment that is great to be a part of for all. The Group has already taken many positive steps in achieving this and as such, the targets and focus areas are a continuation of our ambitions around promoting people development, diversity and inclusion, and fairness for all.

Our progress so far:

	Women in Board Roles	Gender in Leadership Roles* (F/M)	Global workforce by gender (F/M)		Male	Female
Target	40%	50/50	50/50	Total	196	203
2022	31.3%	37/63	51/49	Main Board	7	2
2021	28.6%	31/69	48/52	Operating Board	4	3
Baseline	15.4%	31/69	49/51	Board direct reports	56	59
				Employees	129	139

	Gender Pay Median	Training time per person per year	Factories Ethically Audited	Modern Slavery & Corruption Reports	Health & Safety Reported Incidents	Great Place to Work	UK Ethnic Minority Representation
Target	5% +/-	40 hours	100%	0	0	90%	20%
2022	1.14%	9.7	95.0%	0	1	85%	17.3%
2021	4.55%	n/a	94.5%	0	0	86%	n/a
Baseline	0.54%	9.7	87.2%	0	0	82%	17.3%

* Leadership roles are defined as Manager, Head of Dept, Director or Main Board Director.

Diversity and Inclusion

To offer a great place to work for all, we believe there needs to be consideration for both gender and ethnicity to create a fair, diverse, and inclusive workforce. Having analysed our current gender and ethnicity breakdowns we believe we have made good progress on these areas, with recruitment schemes like the graduate scheme and distribution centre structured salary scheme providing excellent foundations as they have fixed remunerations per role when joining the Group irrespective of a person's background. As such our median gender pay results remain within our targeted differential this year.

The Group has a relatively diverse workforce within its UK teams with ethnic minority representation at 17.3%. However, having reviewed the census data on ethnicity, (last reported in 2011) ethnic minorities are at 22.5% (in Oldham) and 16.3% (in Greater Manchester), with these areas now being our two main pools for UK recruitment talent.

This year the Group has begun to adapt its recruitment strategies to specifically target talent within its local community and surrounding postcodes of the head office in Oldham to achieve its ethnicity and recruit local targets. In addition, members of the senior management team, heads of department and the recruitment team underwent external training in relation to Unconscious Bias in February 2022 which highlighted the importance of being aware of the potential role this may have in their decision making.

This year we improved our policies and procedures relating to our female colleagues to ensure we are providing an environment that encourages women in the workplace and any specific needs they may require to continue their careers in the Group. We have improved our maternity policy by offering more support to expectant mothers before, during and after their pregnancy and return to work.



This includes increasing our maternity pay from statutory amounts up to a maximum of 16 weeks full pay and introducing better structure around a returning mum's transition back to work using keep in touch days. We also recognise that managing the effects of the menopause at work is important for both employers and their colleagues as for those experiencing symptoms it can be a difficult and stressful time. As such the Group has introduced a new policy in August 2022 around menopause support that also includes access to specialised help, support, and guidance from a qualified person.

Training & Development

As a talent business that recruits largely inexperienced people to join our Group, we anticipate a continuing need to provide dedicated formal training time to our colleagues in order to meet operational demands, retain our talent and develop future leaders as the business continues to expand.

In January 2022, our internal Training Officer has developed a focused training strategy that covers key pillars including formal internal, external, and digital training opportunities for all of our colleagues. Our training has a primary focus on people productivity, using software and technology to maximise time training and convenience to its highest. As such we have rolled out a new platform called "send my" which has enabled us to convert all of our standard training topics to a digital platform and a means to effectively report on the amount and quality of the training from this point forward.

Going forward, we anticipate this will provide more training opportunities across our wider teams and include our biggest divisions like buying and the compliance teams as they build their knowledge further around the use and development of more sustainable product packaging and an increase in specification changes to aid product quality.

Safe Places to Work

A safe and compliant place to work is an essential way of working across our operations and wider supply chain. Our ethical auditing team plays a key part in auditing our supplier base and the Ethical and the Modern Slavery Committee continue to annually audit our procedures around modern slavery and workforce safety across our own operations and wider supply chain. The Group continues to have effective and robust procedures within its own operations around health & safety including annual audits and continued corrective action plans that continue to keep health and safety incidents onsite to the lowest possible levels. As a member of Amfori BSCI and Sedex, our factory auditing continues to be at the highest possible standards with our own internal ethical team (both in UK and China) playing their part. As COVID lockdowns have reduced in the Far East, it has enabled our teams to now increase visits to our factories back to almost pre-Covid levels, ensuring we can effectively manage the safety of the working conditions in our wider supply chain.



Our people are our biggest assets and it is important that we listen and provide a great place to work where they can prosper.

Craig Holden

Group Operations & HR
Director

Engagement Survey

Giving our People a Voice

The annual engagement survey continues to act as voice for our growing workforce and a key method for assessing our colleagues needs. Initiatives this year arising from the survey include:

- A commitment to fair pay, with all of our UK permanent roles now commanding a minimum of £10.50 per hour as a starting salary.
- New "nice touch" benefits which offer support and recognition to our colleagues as they encounter special moments in their life. Examples including a £250 starter pack when buying a new home, a £250 contribution to a wedding cake and £150 maternity starter pack for new parents.
- A continuation of our successful Save as You Earn Scheme (SAYE) into a second and third year, enabling our colleagues shared reward in the Group's future success.
- An effective Work from Home policy that strikes a balance of colleagues maximising their productivity by working from home to complete important tasks, but without compromising important time in the office for teamwork, problem solving and collaboration.

We also anticipate our future work on people productivity via the increased use of robotics and automation of tasks will positively influence this target area in the coming years as it enables our colleagues to truly focus on the key aspects of their purpose and role in the Group.

ESG Report – Community

We care about our community

Our community work is integral to our business and our core values and will continue as a focus for us going forward. Having studied our community around our head office base, there are clear needs around employment, providing opportunities for local youth and supporting vulnerable people through local initiatives. To ensure the greatest impact, our efforts have been re-focussed with our resource and time now allocated to partner with suitable local organisations who help meet these needs.

Our progress so far:

	Charity Support & Fundraising	UK Workforce to Live Locally*
Target	£150k	60%
2022	£47,000	47.2%
2021	£55,000	49.4%
Baseline	£10,000	49.4%

Our Company Charity

Each year our UK colleagues are asked to submit a recommendation for a charity close to their heart, that the Group will support over the next financial year, following Board selection. This year saw us support the MS Society through a series of various internal fundraising events including charity sales of our products, baking events, supporting our men's football team and this year over 50 of our UK colleagues embarked on completing the Yorkshire 3 Peaks challenge.

This year was our most successful to date, raising a total of over £24k towards funding research into the cures and treatments of MS.

Our Group charity has already been chosen for next year, being Oldham Foodbank, who are part of a nationwide network of foodbanks, working to combat poverty and hunger across the UK, with Oldham being a particular town in crisis. We intend to support this charity through fund raising, food donations and enabling our UK workforce to complete volunteering days over the course of the year.

Our Local Partner – Positive Steps

This year we have further strengthened our relationship with a charity that sits in the heart of our local community. 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.

This year we have supported Positive Steps across multiple initiatives that they are currently operating across the local community, including:

- Helping young people to get into employment and develop their skillset through access to training, we funded the renovation of a hairdressing/beauty salon within Positive Steps HQ. This gives the young people the opportunity to train towards hair, beauty, and customer service qualifications, and will ultimately increase their confidence and employment opportunities within these sectors.

- Funding of well-being workshops for a group of young mothers who had given up their children for adoption. Accessed support for their mental and emotional processing, improved self-confidence and built supportive network of young people going through the same experience.
- Improving access to work opportunities through the funding of workplace equipment, including tools and clothing. Pre-employment certificates, i.e., health and safety / site awareness (construction), DBS checks or birth certificates to support with securing a NI number. This is to reduce barriers to employment and give people equal opportunities when trying to secure work.



Providing Job Opportunities Locally

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 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.

This year has seen our targets influenced through greater job opportunities within our local distribution centres as we decided to refocus our DC Operative recruitment from a temporary agency basis to a permanent, employed team to meet operational needs. As such we prioritised those who met our job criteria and were located within these three postcodes. This has



increased our live locally percentage in the DC, however, a focus is now needed on our office based roles in order to achieve our target of 60%.

To do this, we have resurrected our UP Academy recruitment model, which provides office job opportunities to those based locally and do not wish to continue their education at university. We have now piloted this scheme at an additional school in the Oldham area being North Chadderton high school and aim to implement similar academies at educational establishments in the coming year including Blue Coats, Oldham Hulme Grammar, and Oldham college, covering a broad spectrum of youths across the local community.

Following this, the academy will also be expanded to include graduate apprenticeships, work placements and internships to ensure a breadth of career opportunities are available to suit both business and personal needs.



Our community work continues to make a positive difference to those that need it the most. We believe our focus on supporting youth and offering employment will help drive more sustainable and long-term change.



ESG Report – Environment

We care about the environment

As product is our purpose, this carries the greatest long-term environmental impact and climate-change risk. Our focus and targets have been aligned with the risks which have been identified by our Committee for TCFD as described on page 27.

Product packaging has a focus on removing, reducing, or replacing plastic and paper with more environmentally friendly alternatives, a similar ambition to that seen within our retail customers.

Our focus on product involves prolonging the life span or, where possible, changing to sustainably sourced materials, such as FSC certified wood. Product quality will also be a focus as, if executed correctly, this can have a material difference on its life span. Amazon is increasingly becoming a larger portion of our business in terms of revenue, listed products and market intelligence.

As Amazon reviews have become a recognised method for determining product quality, especially within a consumer setting and therefore now act as a key target area for the Group and in influencing decision making on product selection and future development.

Our progress so far:

	Product packaging		Product quality	
	Reduce Plastic Packaging	FSC Certified Paper or Card Packaging	Amazon Ratings	Wooden product FSC Certified
Target	50%	100%	4.2	100%
2022	53.04%	3.5%	4.21	54.3%
2021	86.10%	0.4%	4.03	3.8%
Baseline	100%	0.0%	4.11	0.1%

Our other KPIs within the product and product packaging area will have a baseline year of FY23, as we refine our reporting abilities later this calendar year and continue discussions with our manufacturing partners on new packaging solutions we can utilise. However, we are confident we can achieve our targets as our product teams have already adapted their approach to packaging specifications with it being a key area of focus within the Group. Especially as we have aligned our aims to that of our retail customers in order to continue servicing them effectively.

Next year the teams will also be undergoing additional training on guidance around using recyclable packaging materials to ensure we can achieve our targets effectively. We will continue to revisit our environmental KPIs as the business continues to evolve and new developments occur within environmentally friendly packaging solutions.

The main driver for our environmental ideas and actions for change are our 4R's:

Remove	To seek opportunities to remove any unnecessary aspects to our operation or product ranges that are negatively impacting the environment, in particular carbon emissions, unnecessary packaging, materials, or waste.	Reduce	To seek opportunities to reduce the use of non-environmentally friendly materials and equipment to the minimum requirements. This also includes an ability to reduce our carbon footprint and recycle where possible, especially within our waste management or packaging.
Replace	To switch our materials, equipment, suppliers, or resources with more environmentally friendly solutions.	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.

Our primary focus is always on the first 3Rs but inevitably there will be parts of our operation that will still generate carbon emissions even after acting, especially in the earlier period of our journey to net zero. Therefore, we currently engage in a plant a tree initiative under Rebalance using an external company, Ecologi, whose schemes are accredited for global positive change and are also aligned to the UN SDGs. A summary of our recent work under the 4Rs includes

Remove

- The removal of polystyrene in the inner and outer product packaging of our floorcare ranges
- The removal of polybags from our cutlery ranges
- The single use of plastics on our sites

Replace

- The introduction of FSC packaging for our Salter Eco scales ranges
- The use of more environmentally friendly alternatives within our Audio product packaging ranges
- Replacing our UK energy provider to a more environmentally sustainable alternative
- Replacing the majority of the lighting across its operations with LED, sensor alternatives
- Replacing our waste management partner for our UK operations with B&M Waste services who are an award-winning carbon neutral waste management solution.

Reduce

- The use of non-recyclable packaging within in our product and outer carton packaging
- The use of office paper across our UK operations

Rebalance • Planting over 500,000 trees via Ecologi under our Plant a tree initiative.

Product life span, end of life & consumer education

As a future focus area and to maximise the life of a product there will be an increase in the number of SKUs that the Group holds spare or replacements parts which are available for purchase. To help further educate the consumer, there will also increase the use of QR Codes, product care advice, consumer video guides and access to information on sustainable waste disposal. More reporting will become available on these focus areas in future reports.

Our journey to net zero

As we have now made our commitments to achieve net zero within Scope 1 & 2 by 2040 and Scope 3 by 2050, like most businesses our priority this year has been to establish our current position, using effective and accurate means. With the help of our new carbon accounting partner, Normative, we have commenced the process of completing a comprehensive carbon assessment across scopes 1,2 and 3 from our manufacturing base through our operations and to delivery to our retail customer. This analysis will identify particular focus areas ('hot spots') and help us to set achievable milestones on our journey to net zero. Normative's methodology means all reporting will meet TCFD standards, ensuring our carbon emissions data can be appropriately and successfully audited. It is anticipated that this detailed assessment will be completed by late 2022 and milestones set accordingly thereafter. In order to achieve these milestones, key departments will complete actions with relevant Heads of Department being set objectives which they will be remunerated against.

Case study

Solar Panels project

The Group had already made significant capital expenditure investment in its journey to Net Zero by replacing its lighting installation across its sites to more energy efficient alternatives in the form of LED sensed lighting. However, we believed that much more could be done.

Therefore we decided to install solar panels on the roof of our head office building in Greater Manchester. The project supports our desire to achieve net zero targets but also mitigates the effects of surging global energy prices.

In total, 1,150 panels were installed at a cost of £385k, covering approximately 85% of Manor Mill's roof. It is anticipated that the panels will produce up to 40% of Manor Mill's ongoing energy requirements and as a result, the expected payback period for the solar panels is approximately 3-4 years.



TCFD and environmental reporting

Non-financial 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 explains compliance, and, where relevant, non-compliance, with relevant Streamlined Energy and Carbon Reporting ('SECR') requirements and other mandatory reporting regulations such as Task Force on Climate-related Financial Disclosures ('TCFD').

TCFD is a framework for companies to report climate-related risks and opportunities. We support the aims of the TCFD, disclose consistently with its recommendations, and aim to improve the quality of our disclosure year-on-year. We have made progress on aligning our reporting to the TCFD recommendations as set out by the FCA in Listing Rule 9.8.6 and will further develop our approach during FY23.

Our Board of Directors is responsible for oversight of our ESG initiatives and this includes climate-related risks and opportunities. From 2022, they will receive an ESG update twice a year, which will include updates on progress

made towards climate change targets during the period. During the year the Group has set up a new Committee for TCFD which is chaired by our CFO, Chris Dent, and includes Christine Adshead, NED, and members of the Environment Committee and ESG Committee.

With the impacts of climate change being felt around the world, we understand the importance of the role we can play to help reduce this. We have committed to reduce our GHG emissions within our operations by 2040 and within our wider supply chain by 2050, as part of the ambition of the Paris Climate Change Agreement as we recognise the importance of reducing our own impact on the climate. However, we are also aware that climate change is going to have an impact on our business, presenting risks and opportunities over short, medium, and long term.

a low-carbon future may impact our business model through changing customer reference, changes in technology or government regulation. Physical risks include the higher risks of climate-related short-term extreme weather events such as flooding, or long-term physical changes which may result in permanent changes in topography.

During the year our Committee for TCFD, with support from the Environment Committee held a scenario planning day at which we reviewed a number of difference climate risks and opportunities which could impact our business model and strategy.



It is the ideas our people are continually generating which will act as the key driver for change.

Transition risk as a result of moving to



















Financial Impact Range

	Revenue	Costs
High	>£10m	>£1m
Medium	>£5m	>£500k
Low	<£1m	<£100k

Time Horizons

Time Period	Years	
Short	0 to 5 years	Aligned to our viability period planning
Medium	5 to 15 years	Medium-term transition risks are assumed to occur in this time scale
Long	15 to 30 years	Longer-term physical risks are assumed to occur in this time scale



Risk Type	Classification	Time Horizon	Description	Financial Impact	Potential Mitigations
Transition	Policy & Legal	  	Introduction of further plastic taxes, especially in relation to use of virgin plastics in products.	Medium direct increase to costs, which could lead to an increase in prices, which could in turn lead to lower revenues.	Redesign of products to use more sustainable and environmentally friendly materials. It is assumed that some costs could potentially be passed on to our customers and consumer to encourage purchase of lower emissions products.
Transition	Policy & Legal	  	Banning on sales of products which incorporate non-sustainable materials (such as non-recyclable plastics).	Medium Revenue loss/opportunity. The Group has the opportunity to be ahead of the market in terms of changing materials.	Redesign of products to use more sustainable and environmentally friendly materials. We are working with our suppliers to change the materials we use over the medium term.
Transition	Market	  	Consumer behaviour changes away from products using plastics, and non-essential products to concentrate on only essential and sustainable products.	High revenue loss potential, but an opportunity as we change our product mix over time.	Over the long-term our product mix will change; currently we introduce 600 new products each year out of the 3,000 we sell. As consumer habits change, we will change our product mix to reflect their changed priorities.
Transition	Reputation	  	A failure to fully commit to moving to a low-carbon business model leads to reputational damage.	Consumers not using our products (revenue loss) employees not choosing to work for us (increased costs), and bank and investors not choosing to fund us.	Ensuring that we continue to commit to our ESG strategy, and that we continue to work with integrity in terms of our carbon journey.
Physical	Acute (2°C or lower)	  	Increased likelihood of flooding and drought or other extreme weather events leading to reduction of production by supplying factories.	Increased costs of goods, and potential for low revenue loss.	Working with our suppliers to understand their risks, and to create climate adaption plans for them. Geographical diversification of suppliers to reduce risk from any given extreme weather events.
Physical	Chronic (2°C or higher)	  	Increased competition for basic resources due to extreme weather events leading to higher prices for essential goods, leading to lower demand for discretionary items.	High revenue loss as consumers move spending from discretionary to essential products.	Long-term diversification of revenue base, expanding worldwide to decrease reliance on any single geographical territory. Concentration of product suite on more essential sectors and on sustainable products.

 Short term  Medium term  Long term

TCFD and environmental reporting continued

Metrics and Targets

The greenhouse gas ('GHG') statement below provides a summary of Ultimate Products' greenhouse gas (carbon) emissions each year from 1 August 2021 to 31 July 2022. 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.

We intend to report in more detail across Scope 1, 2 and 3 once we have completed our carbon assessment towards the end of 2022 and have accurate data to report and assess.

Years	Baseline		2021		2022	
	tCO ₂ e	tCO ₂ e/ FTEE	tCO ₂ e	tCO ₂ e/ FTEE	tCO ₂ e	tCO ₂ e/ FTEE
Scope 1	266.16	288.28	279.73	0.95	111.98	0.31
% UK	100%		100%		100%	
Scope 2	303.55	216.26	339.76	1.15	225.56	0.62
% UK	75.5%	0.73	75.5%		75.5%	
Statutory total (Scope 1 & 2)	505.54	1.69	619.49	2.09	337.54	0.92
Statutory total in KWh (Scope 1 & 2)	1,868,434		2,379,219		1,736,686	
Full-time equivalent employee ('FTEE')	298		296		365	

This year the Group has had a focus in switching the majority of its energy consumption from gas to electricity at its head office, Manor Mill site in preparation for the switch to more greener solutions (i.e the solar panel project). In addition, there has been a big focus on reducing unnecessary energy consumption across its two large UK sites by introducing more effective procedures and systems around usage controls and equipment to prevent unnecessary heat loss including the installation of UPVC windows at Manor Mill and more effective shutter solutions at Heron Mill. Each of these actions have had a positive material difference on Scope 2 usage.

In addition, the lack of business related travel overseas due to the pandemic has seen a reduction in Scope 1 consumption across the year. It is our aim to maintain this reduction through more effective use of business travel and virtual meetings going forward.

As a growing business, over the coming years, we shall also start to consider the use of Science based targets (SBTs) where appropriate to the size and scope of our operation.

Assessment Parameters

	Offices
Baseline year	2019
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, 1 fleet vehicle and 16 grey fleet vehicles, which were under our operational control, appear in our emissions table but not in our consolidated Financial Statements.
Emission factor data source	DEFRA (October 2016).
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 FTEE.

TCFD Compliance Statement

This statement represents Ultimate Product's first climate-related financial disclosures aligned with the TCFD recommendations and recommended disclosures (as set out in Figure 4 of Section C of the report entitled 'Recommendations of the Task Force on Climate-related Financial Disclosures' published in June 2017 by the TCFD). This statement covers the financial year 1 August 2021 to 31 July 2022. We have made progress on meeting all of the requirements, we are not yet fully compliant, and will look to build on these disclosures in future years. The following table summarises what disclosures the Company has made within the annual report, by reference to the 11 TCFD recommended disclosures.

Governance

a) Describe the board's oversight of climate-related risks and opportunities.	Our commitment to ESG starts at the highest levels of our Group with oversight from the Board of Directors and Board-level Committees, in particular the ESG Committee. Full details of how the ESG Committee operates and works within the overall governance framework can be found on page 17, with further detail on page 26.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	The Group has both a Committee for TCFD led by our CFO, Chris Dent, and also an Environmental Committee led by Katie Maxwell, Trading Director, and Tony Pole, Process Development Director. Full details of the role this committee plays can be found on page 17.

Strategy

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	During the year our Committee for TCFD, with support from the Environment Committee held a scenario planning day at which we reviewed a number of difference climate risks and opportunities which could impact our business model and strategy. The risks and opportunities identified are laid out on page 27.
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	During the year our Committee for TCFD, with support from the Environment Committee held a scenario planning day at which we reviewed a number of difference climate risks and opportunities which could impact our business model and strategy. The impacts identified are laid out on page 27.
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	During the year our Committee for TCFD, with support from the Environment Committee held a scenario planning day at which we reviewed a number of difference climate risks and opportunities which could impact our business model and strategy. The resilience of the organisation are described in the financial impact and potential mitigations sections as laid out on page 27.

Risk Management

a) Describe the organisation's processes for identifying and assessing climate-related risks.	Our Committee for TCFD is specifically responsible for identifying climate-related risks and opportunities and play an active part in the necessary scenario planning needed for the business to mitigate these risks. Details of the role this Committee plays can be found on pages 17 and 26. Result of the current year exercise can be found on page 27. During FY23 the ESG Committee will further refine the risks (and opportunities) identification and assessment of physical, transitional, liability and transboundary risks in relation to climate change.
b) Describe the organisation's processes for managing climate-related risks.	Our Committee for TCFD reports climate-related risks to both the ESG Committee and the Audit & Risk Committee. The ESG Committee is responsible for the process of managing these risks by developing strategies for mitigation.
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	The Audit & Risk Committee has overall responsibility for identifying risk. Christine Adshead, NED, is a member of both the Audit & Risk Committee and the ESG Committee for TCFD. Chris Dent, CFO, is Chair of the Committee for TCFD, a member of the ESG Committee and attends the Audit & Risk Committee. They are responsible for reporting to the Audit & Risk Committee the climate-related risks. Further details can be found on pages 17, 26, and 35.

Metrics & targets

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	The metrics we use are described on pages 24, 27 and 28.
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Our current metrics are laid out on page 28, and the related risks to climate change are laid out on page 27. As noted, we currently report Scope 1 and 2, but currently do not disclose Scope 3.
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	The Group has both long-term and short-term targets. In the long-term we have made a commitment to achieve net zero, as laid out on page 25. In addition, our strategy for managing climate-change risks includes targets which are designed to mitigate transition risk, and are laid out on page 24.

Section 172 statement


Doing the right thing is at our core



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

We believe that in order to progress our strategy and achieve long-term sustainable success, the Board must consider all stakeholders relevant to a decision and satisfy themselves that any decision upholds our culture of “doing the right thing”. Our values, as set out on page 5, are key to how we do business and are closely aligned to the matters the Directors must consider as part of their Section 172 duties.

The Board recognises that stakeholder engagement is essential to understand what matters most to our stakeholders and the likely impact of any key decisions. Ultimate Products’ stakeholders are its employees, customers, suppliers, and shareholders & lenders and the Board recognises the need to regularly review and consider who its stakeholders are as it makes decisions. We encourage the development of long-term relationships with our stakeholders in accordance with our culture and values, with the ongoing desire to be a trusted, best-in-class partner to all of our stakeholders equally.

The Board is aware that in some situations, stakeholders’ interests will be conflicted and they may have to prioritise interests. The Board, led by the Chairman, ensures that as part of its decision making process, the Directors assess the impact of the decision on our stakeholders and the likely consequences of any decision in the long term. Examples of some of the principal decisions taken by the Board during the year and an explanation of which factors the Directors had regard to when reaching such decisions, including those set out in Section 172(1)(a) to (f) of the Companies Act 2006, are set out on the next page.

Stakeholders	Importance to the Group	How we engage	Relevant Links
Employees	Our committed and dedicated employees are our most important resource. We aim to cultivate and maintain a positive working environment and provide learning and development opportunities, recognition and rewards.	<ul style="list-style-type: none">Employee Consultation Group.People engagement survey.SAYE and PSP schemes.Ask initiative.	 ESG Report on pages 16 to 29
Shareholders & lenders	Our shareholders support the long-term growth of the Group. We rely on them to finance our development and growth plans. Engaging with them regularly to communicate progress, understand their perspectives, discuss long-term issues and ensure feedback is taken into account is critical to the long-term success of the Group.	<ul style="list-style-type: none">Annual Report, Interim Report, trading updates.Regular meetings with institutions and analysts.For the current year end results we will initialise utilisation of Investor Meets Company.	

Stakeholders	Importance to the Group	How we engage	Relevant Links
Customers	We are passionate about providing the highest possible customer service. Understanding the needs of our customers, evaluating our performance delivery against KPIs and evaluating feedback helps us to continually improve.	<ul style="list-style-type: none"> Meeting at one of our showrooms in Oldham, Cologne or Guangzhou where we can showcase our wide range of products and help them visualise how they may be presented in store. We monitor product ratings and feedback so that we can further improve products or, for example, produce videos and “how to” guides, helping consumers get the most out of their purchases. We understand our customers’ needs, markets and their customers, carrying out in-depth research and conducting store visits to support our understanding, so that we can present the products that best exceed their expectations. 	 see pages 08–09
Suppliers	Our suppliers provide us with the highest possible quality of products and services. This allows us to deliver beautiful products to our consumers and a first class service to our customers.	<ul style="list-style-type: none"> Our team of local sourcing, ethics and quality colleagues in China has allowed regular engagement with our suppliers. We have high expectations of our suppliers but we recognise our responsibilities and commit to prompt payment according to agreed terms. Regular reviews take place to ensure a supply chain free of slavery and human trafficking. 	 see pages 10–11

Board decision-making

Board Decision	Directors’ consideration of factors in accordance with S.172(1)
Investment in our Manor Mill head office	During the year we completed our £2m investment in our Manor Mill head office, which includes a showroom, improved state-of-the art office facilities, and the introduction of solar panels on the roof of the building. This was a significant investment by the Group. However, we believe it will be beneficial for shareholders in the long run, as the showroom will help to win and retain customers by offering them an opportunity to see our products in a store environment, the offices will help us recruit and retain talented employees by giving them an enhanced working space. The solar panel project will save the Group money in the medium term, especially in the light of increased electricity and heating costs, as well as being good for the environment, and a step on our journey to net zero.
Long-term funding of our EBT	During the year the Group saw the successful vesting of its first SAYE scheme, which began in 2019, and continued its commitment to an ownership culture with staff by issuing new options under both SAYE and PSP schemes. As these schemes are multi-year future schemes, the Board wished to ensure that the Group mitigated the dilutive impact of share option awards and improved overall shareholder returns. Therefore the Board approved a framework to guide the long term funding of our Employee Benefit Trust. As part of this framework the Group that, in its capacity as trustee of the Ultimate Products Employee Benefit Trust, JTC Employer Solutions Trustee Limited would commence a programme to buy ordinary shares of 0.25p each in the Company for the six-month period from 1 August 2022 to 1 January 2023, up to an aggregate value of £325,000. The Board anticipates that the programme will continue in line with the framework to balance the dilutive effect on shareholders with the desire to foster an ownership culture with our people that will drive performance for both groups of stakeholders.
CFO succession	The CFO is integral, with our CEO and MD, in delivering long -term value for all of our stakeholders. The Chairman and MD, supported by the Nominations Committee, led the search for our new CFO, supported by a well-reputed executive search firm in order to assess both internal and external candidates. The key selection criteria included in the candidate profile required identification of an individual who aligned with the values of the Group, showed the capability and capacity to drive change, and complemented the existing skills of the executive team. Following a thorough recruitment and selection process that considered a long list of industry and non-industry candidates, along with extensive psychometric and skills testing, the Board was delighted to announce the appointment of Chris Dent as CFO.

Chief Financial Officer's review



Chris Dent
Chief Financial Officer

	2022 £'000	2021 £'000	Change £'000	Change %
Revenue	154,191	136,367	17,824	13%
Cost of sales	(115,837)	(106,136)	(9,701)	9%
Gross profit	38,354	30,231	8,123	27%
Other administrative expenses	(19,604)	(16,940)	(2,664)	16%
Adjusted EBITDA*	18,750	13,291	5,459	41%
Depreciation & amortisation	(2,066)	(1,623)	(443)	27%
Finance expense	(842)	(518)	(323)	62%
Adjusted profit before tax*	15,842	11,150	4,693	42%
Tax expense	(3,120)	(2,423)	(697)	29%
Adjusted profit after tax*	12,722	8,727	3,995	46%
Share-based payment expense	(403)	(228)	(175)	77%
Non-recurring costs	–	(1,414)	1,414	-100%
Tax on adjusting items	51	228	(177)	-78%
Statutory profit after tax	12,370	7,313	5,057	69%

Revenue

Overall, Group revenue has increased by 13% to £154.2m in the period (2021: £136.4m). This has been driven by the inclusion for the full year of the Salter scales business which was acquired during July 2021. In the full year the acquisition added £16.3m (2021: £0.1m) of revenue to the Group, meaning that underlying revenue grew by 1% from £136.3m to £137.9m.

	Acquisition £'000	Core £'000	2022 £'000	2021 £'000	Core change %	Total change %
Supermarkets	4,871	46,652	51,523	38,914	20%	32%
Discount retailers	715	47,411	48,126	51,526	-8%	-7%
Online	5,004	20,317	25,321	20,590	-1%	23%
Other	5,757	23,463	29,221	25,336	-7%	15%
Total Revenue	16,348	137,843	154,191	136,367	1%	13%

Overall, the business has seen strong progress with supermarkets, which have now become our largest revenue channel with sales of £51.5m, as we continue to diversify and extend our customer base, especially into European supermarkets. Discounters are down slightly year-on-year, which is partially due to over-stocking by these retailers during FY21. Although overall online sales grew by 23% to £25.3m, it was disappointing that organically online sales fell by 1%. This was as a direct result of the shipping crisis which reached its peak during the summer of 2021. As producers were more difficult to secure, we prioritised our retail customers, meaning the Group had a sub-optimal level of stock for servicing our online customers, which led to an H1 22 year-on-year decline of 13%. When the supply chain issues eased and we were able to bring stock levels back to an optimal level, we saw online sales grow 20% year-on-year in H2 22.

	2022 £'000	2021 £'000	Change £'000	Change %
UK	101,050	92,915	8,134	9%
International	53,141	43,451	9,690	22%
Total Revenue	154,191	136,367	17,824	13%

In line with our international growth strategy, we have continued to see sales to international customers outpace the growth we have seen domestically within the UK. Growth has been particularly strong in Germany, with sales reaching £19.2m (2021: £13.8m).

** Adjusted measures are before share-based payments and non-recurring items. The table above shows the reconciliation between adjusted measures and statutory profit after tax. The statutory income statement can be found on page 82.*

Gross Profit

Gross profit has increased by 27% to £38.4m (2021: £30.2m), reflecting an increase in gross margin from 22.2% to 24.9%. This increase has been achieved despite a 2.2% headwind in freight costs, as new sales have come from higher margin channels.

Adjusted EBITDA

Gross profit increased 27%, whereas overheads only increased by 16% to £19.6m (FY21: £16.9m) resulting in a 41% increase in Group EBITDA to a record £18.8m (FY21: £13.3m). The increase in overheads reflects our investment in building up our teams, with salary costs increasing 9% to £14.6m (2021: £13.4m). In addition, we have seen costs coming back into the business which dropped significantly in the previous years due to COVID restrictions, such as expenditure on travel and exhibitions.

Adjusted & statutory profit

	2022 £'000	2021 £'000	Change £'000	Change %
Adjusted EBITDA	18,750	13,291	5,459	41%
Depreciation & amortisation	(2,066)	(1,623)	(443)	27%
Finance expense	(842)	(518)	(323)	62%
Adjusted profit before tax	15,843	11,150	4,693	42%
Tax expense	(3,120)	(2,423)	(697)	29%
Adjusted profit after tax	12,722	8,727	3,995	46%
Share-based payment expense	(403)	(228)	(175)	77%
Non-recurring costs	–	(1,414)	1,414	-100%
Tax on adjusting items	51	228	(177)	-78%
Statutory profit after tax	12,370	7,313	5,057	69%

Depreciation and amortisation increased 27% to £2.1m (2021: £1.6m) as a result of the increase in the depreciation charge following from our £2.0m investment in our head office, which significantly improved working conditions for our people, and helped to ease the transition of our people back to the office post-COVID.

The finance charge has increased 62% to £0.8m (2021: £0.5m), due to the higher level of net bank debt due to the Salter acquisition, which was financed through £16.7m of debt and £15m of new equity. The finance charge also includes interest on capitalised leases as required by IRFS 16.

During 2021 the Group took non-recurring charges of £1.4m, being £0.9m of fees related to the acquisition of Salter, and £0.5m being the repayment of the government's Coronavirus Job Retention Scheme. There have been no non-recurring charges in the current year.

The tax charge for the period at 21% (2021: 23%) was higher than the statutory rate of 19% due to the higher statutory rate of tax paid on our European foreign branches in Germany and Poland.

As a result, the statutory profit after tax increased by 69% to £12.4m (2021: £7.3m).

Earnings per share

Although the Group has not issued any new shares within the year, in July 2021 the Group issued 7,142,857 shares at £2.10 to fund the Salter acquisition, meaning that the weighted average number of shares increased from 78,465,192 to 86,353,827, resulting in a 10% effective dilution in the current period.

	2022 £'000	EPS P	2021 £'000	EPS P
Adjusted profit after tax / Adjusted EPS	12,722	14.73	8,727	11.12
Share-based payment expense	(403)	(0.47)	(228)	(0.29)
Non-recurring costs	–	–	(1,414)	(1.80)
Tax on adjusting items	51	0.06	228	0.29
Statutory profit after tax / Basic EPS	12,370	14.32	7,313	9.32

As a result, whilst adjusted profit after tax grew by 46% to £12.7m (2021: £8.7m), adjusted earnings per share increased by 32% to 14.73p (2021: 11.12p). Basic earnings per share increased by 53% to 14.22p (2021: 9.32p).

Chief Financial Officer's review continued

Financing and cash flow

At the year end the Group had a net bank debt/adjusted EBITDA ratio of 1.3x (31 July 2021: 1.4x), which represents net bank debt of £24.3m (2021: £18.8m). The Group maintains comfortable levels of headroom within its bank facilities, with headroom at 31 July 2022 of £17.8m (31 July 2021: £16.2m). The Group makes use of its term loan and revolving credit facility ('RCF') for longer-term funding, such as acquisitions, whereas our invoice discounting and import loan facilities are designed to fund our working capital, and automatically increase in relation to our levels of trading. At the year end the Group had £6.2m cash which for bank facilities purposes nets against the £6.0m overdraft.

	31 July 2022 £'000	31 July 2021 £'000	Change £'000	Change %
Cash	6,202	133	6,069	4563%
Overdraft	(6,020)	-	(6,020)	-
Term loan	(8,000)	(10,000)	2,000	-20%
RCF	(2,217)	(2,983)	766	-26%
Invoicing discounting	(6,197)	(3,290)	(2,907)	88%
Import loans	(8,179)	(2,759)	(5,420)	196%
Loan fee	155	234	(79)	-34%
Net bank debt	(24,256)	(18,665)	(5,591)	30%

The Group generated net cash from operations of £5.8m (2021: 11.7m), as cash has been used to fund an increase in our working capital balances, especially our stock balances, which were at a sub-optimal level during the shipping crisis last year, and consequently held back sales in the first quarter.

	2022 £'000	2021 £'000	Change £'000	2022 Working capital days	2021 Working capital days
Inventory	29,162	21,674	7,488	74	59
Debtors	32,194	26,544	5,650	60	57
Creditors	(29,644)	(29,451)	(193)	65	70
Total working capital	31,712	18,767	12,945		

Dividend

In line with our established dividend policy of distributing 50% of the Group's adjusted profit after tax, the Board is pleased to propose a final dividend of 4.82p per share (2021: 3.33p per share). This takes the total dividend for the year to 7.12p per share (2021: 5.02p per share), an increase of 47%.

Subject to shareholder approval at the AGM on 16 December 2022, the final dividend will be paid on 27 January 2023 to shareholders on the register at the close of business on 6 January 2023.

Strategic Report

The Strategic Report (which includes all of the content from pages 1 to 36) was approved by the Board on 2 November and was signed on its behalf by:



Chris Dent

Chief Financial Officer

2 November 2022

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 risks and uncertainties that may arise.

Area	Risk	Mitigation	Movement
Macro-economic factors	Macroeconomic trends affecting consumer confidence and reducing non-food spending such as inflationary pressures, higher taxation, and higher interest rates, could affect retail demand.	The Group's international business provides economic diversity and some protection against a downturn in the UK economy. Despite the challenging market conditions, the Group sees the opportunity to increase its market share by developing new customer relationships, particularly internationally and through online channels. The Group's products, being mass-market and value-led, are well placed in the event of an economic downturn.	↑
Sourcing	A major loss of continuity in the supply of goods for resale could adversely affect the Group's revenues. Heavy reliance on China as a source of products. Any deterioration in, or changes to political, economic or social conditions in China could disrupt the supply of goods or result in higher product cost prices.	The 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. The Group closely monitors developments in China and continues to consider and use alternative sources when practicable and viable.	↑
Supply chain management	Inefficient stock management could result in overstocking, which may adversely affect working capital. Conversely, understocking, could limit the Group's ability to maximise revenue opportunities. Although there has been an abatement in the recent shipping and haulage capacity issues, any return in these issues could affect the availability and the costs of shipping.	Stock levels and purchasing are closely managed, with all purchase orders being reviewed before being placed. The Group's systems facilitate close management of the completion and timing of purchase orders placed. Stock is categorised between 'free' and (pre) 'sold' to ensure that management focus on higher risk items. 'Free' stock is reviewed and prompt actions are taken where necessary. The 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.	↓
Margin pressure	A tough retail environment, increased shipping and road haulage costs and the impact of weakened Sterling could put pressure on gross margin.	The 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. 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. Furthermore, the Group seeks to constantly develop and implement productivity improvements. The Group actively manages foreign exchange risk through use of forward contracts.	↔

Principal risks and uncertainties continued

Area	Risk	Mitigation	Movement
Protection of brands	Failure to develop and enhance the product range of our brands could result in loss of our competitive advantage, which could impact on the Group's turnover. Failure to develop or acquire new brands could restrict growth, given the Group's brand-led strategy. Failure to renew or delays in renewing licences for key brands could impact turnover.	A high level of new product development focus is maintained and monitored by the Board. Buying teams attend trade shows and carry out store and factory visits to ensure that they are in touch with the latest consumer demands and trends. The Group continues to develop a "second tier" of brands and monitors opportunities to acquire new brands. The risk arising from the non-renewal of licences has reduced significantly as a result of the Group's acquisition of the Salter brand. FY 22 sales under other licences amounted to 13.1%. The risk in relation to these other licences is mitigated by maintaining strong revenues to and good working relationships with licensors. Post year end the Group renewed its trademark licence agreement with Spectrum Brands, which grants the Group an exclusive licence to use the "Russell Hobbs" trademark for non-electrical kitchen and laundry products.	▼
Climate Change & Environmental	Climate change is a widely acknowledged global emergency, with the need to act faster becoming evident. Managing the greenhouse gas emissions associated with our supply chain is critical to reducing our impact on climate change. The physical and financial impacts of climate change are already being felt and are set to intensify.	We have established a Group-wide ESG Committee to extend oversight and governance for monitoring the delivery of the Group's climate commitments. We have stated a strong commitment to be net zero by 2050. This pledge is in the process of being supported by road maps and targeted decarbonisation plans. We are working internally and with third-party organisations to developing this suite of metrics to enable us to monitor progress. We also continue to report our climate-related financial disclosures (see TCFD section on pages 26 to 28).	▲
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.	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. 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.	◀ ▶
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.	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 courses aim to create a succession of employees into senior roles. A number of steps are taken to encourage the retention of the employees, including the SAYE and PSP share ownership schemes to incentivise its workforce and to further improve retention.	◀ ▶

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 five-year period to July 2027, 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 five-year period to July 2027.

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.

The Group currently has a £10m amortising loan used for the acquisition of Salter Brand Limited, which stood at £8m at the year end and runs to October 2024. In addition, the Group has a suite of working capital facilities with HSBC including a £8.2m revolving credit facility, a £23.5m invoice discounting facility (both of which run until 2024) and a £9.0m import loan facility, which is repayable on demand and subject to annual renewal. The Directors believe that, in the ordinary course of business, these facilities will continue throughout the period to 31 July 2027 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, the impact from recession or reduced consumer spending, and a further extensive and prolonged lockdown due to COVID-19 in China;

- 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, and also the effects of changes in exchange rates.

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, and able to remain in operation over the period reviewed. The stress tested also included layering of risks, whereby multiple risks occurred simultaneously. These scenarios showed the limits of the Group's resilience. In each test a number of mitigating operational and financial actions were taken including the suspension of the dividend, lowering of capital expenditure, the reduction in discretionary operating spending, and, in the case of a severe downturn from reducing headcount. With these mitigating actions, it was shown that the Group would be able to remain in operations.

In addition to the enhanced stress testing the Group has also considered climate change as a key long-term risk to our business model. This fuller assessment of the climate-related risks the Group faces, and our actions to mitigate these risks is provided in the TCFD-related disclosures on pages 2 to 28.

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 mass-market 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 five years to 31 July 2027 as an appropriate period for the Group's Viability Statement, as management currently use five-year forecasts as part of the business planning process.



At the year end the Group had a net bank debt/adjusted EBITDA ratio of 1.3x (FY21:1.4x). The Group maintains comfortable levels of headroom within its bank facilities, with headroom of £17.8m (FY21: £16.2m).

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
Non-executive 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 ten years' service having joined in August 2006. During his tenure, Poundland's sales grew from £300m to £1.3bn 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. Joined the Company on 1 March 2017 when he was appointed non-executive Chairman.

Committee Membership



Simon Showman
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. Appointed as Chief Executive Officer in 2005, having been a Director of Ultimate Products since 1997.

Committee Membership



Andrew Gossage
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 process development, supply chain, human resources, IT and legal. 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



Chris Dent
Chief Financial Officer

Chris has substantial accounting and financial experience from his time in the profession and as CFO of publicly listed companies. Chris began his career at Deloitte LLP where he spent ten years within audit, corporate finance and transactional accounting services. He subsequently spent four years as CFO of AIM-listed 7digital Group plc, and then five years as CFO of AIM-listed Franchise Brands plc. Chris is a Fellow of the Institute of Chartered Accountants of England and Wales. He was appointed as Chief Financial Officer of the Company on 4 April 2022.

Committee Membership



Committee Membership

- A Audit and Risk Committee
 N Nomination Committee
 R Remuneration Committee
 E ESG Committee
- C Chair of Committee

**Alan Rigby**

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 provided independent consultancy services to private companies on strategy, corporate transactions and refinancing. Joined the Company on 1 March 2017 when he was appointed Senior Non-executive Director.

Committee Membership

**Robbie Bell**

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

Committee Membership

**Jill Easterbrook**

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. Jill is also non-executive Chair of Headland Consultancy Limited, and on 5 September 2022 was appointed as a Non-executive director of Tracsis plc. Joined the Company on 21 September 2020 when she was appointed Non-executive Director.

Committee Membership

**Christine Adshead**

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

Committee Membership



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 cCommittees, and an overview of the Company's system of internal controls are also included.

Corporate governance plays a crucial role in helping to preserve value for shareholders by providing a process for decision-making which should ensure that all major decisions are considered in good time, that the Board is provided with good-quality briefing materials which cover all relevant factors and that our deliberations consider the risks, as well as the opportunities, in the issues before us. It is for these reasons that the Board is committed to achieving high standards of corporate governance.

It has been a pleasure to be able to resume holding meetings in person in the current year. However, the Board has continued to hold mid-month virtual meetings to allow the whole Board to remain well informed of the progress of the business.

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.

James McCarthy
Chairman

2 November 2022

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 the Directors consider that the Company has complied throughout the year ended 31 July 2022 with the provisions of the Code.

The Board

On an on-going basis the Board has eight members, comprising of three Executive Directors, a Non-executive Chairman and four Independent Non-executive Directors. During the transition period of our new CFO, Chris Dent, coming into the business, the Board had nine members, with our outgoing CFO, Graham Screawn, remaining on the Board to ensure a smooth handover process.

The Board reflects a good balance of skills and a diversity of expertise from operational, financial, sector-specific and general business background. 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. 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 the non-executive Directors 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.

The Board is supported by a dedicated and experienced Operating Board in the delivery and execution of their objectives. 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 latest strategy day occurred in April 2022.

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 2020 being the first requirement for an external review. 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.

Training and development

There was one appointment to the Board in April 2022. On appointment to the Board, the new Chief Financial Officer commenced a tailored induction to introduce him 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. To ensure a smooth handover, the former CFO stayed with the business for a period of four months whilst the new CFO completed his induction period. 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.

Chairman's introduction continued

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, Remuneration Committee and the ESG Committee. 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 Committee are reviewed annually and are available on the Company's website, www.upgs.com.

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 (including climate-change related risks), 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 44 to 46.

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 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 on the Group's Operating Board 30%, in line with the Board's initial target for gender diversity.

During the year the Nomination Committee led the process of the appointment of our new Chief Financial Officer, Chris Dent. The initial recruitment process was led using an external agency providing 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 the Executive Directors, further meetings were arranged with the Chairman and the Nomination Committee. The candidates were psychometrically tested using an external consultant. On the basis of feedback from the meetings and tests, the Nomination Committee recommended to the Board Chris Dent be appointed to the Board.

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, the Chairman held meetings with the Executives to discuss and understand their current thoughts for the future.

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. Following the useful feedback provided by the psychometrics tests used in the CFO hiring process, the Nomination Committee has commenced a process by which all of the Operating Board and Senior Management team will undergo similar tests. In addition, the Nomination Committee has put forward two members of the Operating Board to attend a two week external intensive coaching and development course.

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, with an additional independent Director, Christine Adshead, expected to join in the near future. The Remuneration Committee Report is included on pages 47 to 70.

ESG Committee

The ESG Committee assists the Board in defining the Company's strategy relating to ESG matters and reviewing the practices and initiatives of the Company relating to ESG matters ensuring they remain effective, up to date and aligned to the overall business strategy. This includes: the Group's impact on the natural environment and its response to climate change, including greenhouse gas emissions, energy consumption, generation and use of renewable energy, pollution, efficient use of resources, the reduction and management of waste, and the environmental impact of the Group's supply chain; the Group's interactions with employees, customers, suppliers, other stakeholders and the communities in which it operates and the role of the Group in society, including workplace policies, working conditions and employee opportunities, equality, gender and diversity policies, ethical / responsible sourcing, social aspects of the supply chain (including modern slavery), and engagement with and contribution to the broader community through social projects and charitable donations, and the ethical conduct of the Group's business, including its corporate governance framework, business ethics, policies and codes of conduct, the management of bribery and corruption, and the transparency of non-financial reporting. The ESG Committee Report is included on pages 16 to 29.

Meetings and attendance

Board meetings are scheduled to be held monthly. As required, additional Board meetings (and/or Board committee meetings) may be held to progress the Company's business. In the year ended 31 July 2022, 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 opposite:

	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee	ESG Committee
Number of meetings	12	7	4	3	4
James McCarthy	12	–	4	3	–
Simon Showman	12	–	–	1*	4
Andrew Gossage	12	–	1*	1*	4
Graham Screawn	11	6*	3*	2*	–
Chris Dent**	4	3*	1*	–	4
Alan Rigby	12	7	4	3	–
Robbie Bell	12	7	4	3	–
Christine Adshead	12	7	2*	3	4
Jill Easterbrook	12	1*	4	3	4

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

** Appointed 4 April 2022.

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.

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

2 November 2022

Audit and Risk Committee Report



With the impacts of climate change being felt around the world, we understand the role we can play to help reduce this. However, we also understand that climate change presents a risk to our business model and strategy, and have therefore added it as a principal risk.

Robbie Bell

Chair of the Audit and Risk Committee

Committee Membership

Robbie Bell (Chair)
Christine Adshead
Alan Rigby

Number of meetings held during the year

7

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.

Governance

The Committee's Terms of Reference are published on the Group's website and were reviewed during the year. 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 Committee as a whole has competence relevant to the sector in which the Company operates. The meetings are attended by all of the Committee members and, by invitation, the Chief Financial Officer and other senior employees of the Group, along with representatives from the external auditors. In addition, the Committee has also met with the external auditor without the Executive Directors present.

Role and responsibilities

The primary role of the 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 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 2022;
- reviewed and agreed the external auditor's audit strategy memorandum in advance of its audit for the year ended 31 July 2022;
- 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 2022 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 2022;

- discussed the report received from the external auditor regarding its audit in respect of the year ended 31 July 2022;
- 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; and
- considered the effectiveness of the Group's IT Security in relation to cyberattacks;

At the request of the Board, the Committee also considered whether the Annual Report and Accounts for the year ended 31 July 2022, 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 Committee recommended to the Board that it could make the required disclosure as set out in the Directors' Responsibilities Statement on page 75.

Significant issues

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

Significant issues

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.

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.

How the issue was addressed

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.

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.

Review of risk management and internal financial controls

The 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 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 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 34 to 35 and the impact of these risks has been considered in the Viability Statement on page 36 and the Going Concern assessment on page 89.

In the current year climate change has been added to our register of risks. Given the impacts of climate change it is expected that the risk management framework will be further developed to ensure the framework aligns to climate-related priorities.

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 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.

Internal audit

The Committee is responsible for monitoring and reviewing the effectiveness of the systems established

Audit and Risk Committee Report continued

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 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 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 Stuart Wood, who replaced Gary Harding who rotated off the audit during the year following his five-year term. The 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. The 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 2023.

Auditors' remuneration:

	2022 £'000	2021 £'000
Fees for audit of the Company	40	44
Fees for the audit of the Company's subsidiaries	42	46
Total audit Fees	82	90
Corporate finance services	–	74
Other assurance services	18	13
Total non-audit Fees	18	87

The independence and objectivity of the auditor is regularly considered by the Committee, taking into consideration relevant UK professional and regulatory requirements. The 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 Committee has considered and approved the terms of engagement and fees of the external auditor for the year ended 31 July 2022. Audit fees payable by the Group to BDO LLP and its international network in the year ended 31 July 2022 totalled £82,000 (2021: £90,000). There were no contingent fee arrangements. The Committee reviewed the level of non-audit services and fees provided by BDO LLP. For the year ended 31 July 2022, these totalled £18,000 (2021: £87,000) of which £18,000 (2021: £13,000) related to half-year assurance services and a further £nil (2021: £74,000) related to corporate finance services associated with the acquisition of Salter Brands Limited. The ratio of audit fees to non-audit fees, in total, for the year ended 31 July 2022 is 4.5:1.

The 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 Committee seeking assurances and understanding of the auditor's approach to the audit. In particular, the 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 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. The Committee reviewed the FRC's report into the performance of BDO, and challenged the new audit partner on the improvement process that BDO is enacting.

Considering the review of the effectiveness, the independence and the length of tenure of the auditors, the 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

2 November 2022

Remuneration Committee Report



Committee Membership

Alan Rigby (Chair)
James McCarthy
Robbie Bell
Jill Easterbrook



Our first SAYE scheme matured in FY22 and I was delighted to see our employees enjoying the positive gains over their three-year saving plans. It was also pleasing to see strong participation from eligible UK employees in our third SAYE scheme when this was launched in May 2022.

Alan Rigby

Chair of the Remuneration Committee

Number of meetings
held during the year

4

I am pleased to present the FY22 report on remuneration on behalf of the Remuneration Committee. The first part of this report contains our Remuneration Policy, which was approved by shareholders at the December 2020 AGM and seeks to ensure that the Group's executives remain aligned with the long-term interests of all of the Group's stakeholders. Committee is satisfied that the Remuneration Policy has operated as intended in terms of performance and quantum in FY22 and proposes no changes to the policy at this time. The second part of this report describes the remuneration of Directors in 2022. 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 Committee has prepared this report in line with the recommendations of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules and with consideration given to guidance provided by investors including the Investment Association's Principles of Remuneration.

The Committee met four times during FY22. The latter two of these meetings were also attended by Christine Adshead in preparation for her joining the Committee in FY23. Christine was formerly a Partner at PwC and is also a non-executive board member of Hill Dickinson LLP; it is considered that the addition of Christine to the Committee will further strengthen remuneration oversight and strategy within the Group. Each member of the Committee has shown substantial commitment in their roles on the Committee over the past 12 months and I thank them for their valuable and insightful contributions to all remuneration matters.

Our approach to remuneration

The Committee's long-standing 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. The Committee has continued to enjoy the backing and understanding of the Executive Directors in this approach, each of whom respect the independence of the Committee.

Context and key Remuneration Committee decisions on remuneration

Fixed remuneration

Following the Board's decision to appoint Chris Dent as the Group's new Chief Financial Officer his remuneration package was determined by the Committee. In line with the Remuneration Policy the Group's contribution to his pension was set at 3% of salary being a level which is closely aligned to that awarded to the general workforce. Following consultation with the Group's remuneration advisors and having considered remuneration data in comparable listed companies:

- the Remuneration Committee increased the base salary of the Chief Executive Officer by £26,798 to £368,178 (an increase of 7.9%) but reduced his pension provision by £13,143 to £27,822 (a decrease of 32.08%) resulting in a net increase to his fixed remuneration of 3.6%;
- the Remuneration Committee increased the base salary of the Managing Director by £18,569 to £255,120 (an increase of 7.9%) but reduced his pension provision by £9,107 to £19,279 (a decrease of 32.08%) resulting in a net increase to his fixed remuneration of 3.6%;

Remuneration Committee Report continued

- the Remuneration Committee increased the base fees payable to the Chairman for his services from £85,000 to £88,000 per annum, a 3.5% increase; and
- the Chairman and the Executive Directors increased the base fees of the Non-executive Directors by £1,470 to £43,470 per annum (an increase of 3.5%);

with the changes in each case having effect from 1 March 2022. The Committee recognises that its remit extends beyond the remuneration of the Executive Directors, and wishes to ensure that the highest standards are applied to remuneration arrangements across the Group. The Committee reviewed the employee remuneration arrangements across the broader workforce in December 2021 and June 2022 to ensure consistency and a fairness of approach across the Group and notes that the average base salary increase across the business in the year was 7.0%.

Following the establishment of the Environmental, Social and Governance Committee of the Board and the appointment of Jill Easterbrook to chair that Committee, the Chairman and the Executive Directors determined that a fee of £10,000 per annum shall be payable for such role with effect from 1 March 2022.

Variable remuneration

The Group's first round of SAYE options matured in March 2022 and the Committee was delighted to see a large number of employees at all levels of the business exercise their options over a total of 943,236 shares and enjoy gains over their three-year savings period. We view the high participation levels in the SAYE as an endorsement by employees of the Group and are pleased that so many employees have realised value on exercise of their 2019 options. To this end, the Group launched its third round of SAYE invitations in May 2022, allowing all employees to elect to participate in a three-year savings arrangement in which they contribute between £10 and £250 per month and are granted options at a 20% discount from the share price at the grant date.

Following Yorkshire Building Society's withdrawal from the share plans market during FY22, the Committee held a competitive tender process and subsequently appointed Equiniti as the new SAYE administrator.

The Committee was pleased to make its annual awards under the PSP in June 2022, where one Executive Director and 27 wider employees were made awards over a total of 364,000 shares. 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 workforce; the Remuneration Committee thanks them for their support in this matter.

Prior to the 2022 grants, the Committee made minor amendments to the rules of the PSP to recognise the latest corporate governance requirements and to further limit the circumstances in which employees leaving the Group may benefit from their PSP awards; due to the administrative nature of these changes, shareholder approval was not required for these amendments.

The Committee has commenced its deliberations relating to the performance conditions attached to the awards made under the PSP in 2019, including considering whether any adjustments are required to account for the acquisition of Salter Brands Limited in July 2021. As at the date of this report the vesting levels of the 2019 PSP awards have not yet been determined, and the eventual conclusions of this process, together with a detailed assessment of the performance conditions attaching to these awards, will be contained in the remuneration report for FY23.

The Committee notes and endorses the view of the Investment Association that employee benefit trusts should not hold more shares at any one time than would be required in practice to match their outstanding liabilities. To ensure that this guidance is complied with, the Board established an EBT share acquisition framework in January 2022 and an ongoing EBT funding programme in July 2022.

The Committee once again set stretching performance targets for the Executive Directors' annual bonuses for FY22. 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 adjusted EBITDA performance condition (which acts as an underpin in addition to a target) was satisfied to Threshold level for FY22 and as such the Remuneration Committee awarded annual bonuses to Executive Directors for the year in respect not of the adjusted EBITDA target (as the Target level was not satisfied) but in respect of the personal targets (as the adjusted EBITDA underpin was satisfied); further detail on the assessment of the performance conditions is contained on page 62. For FY23, the Committee began the process of determining bonus levels and objectives for the Executive Directors and Senior Management Team in July 2022.

At the time of the Company's IPO in 2017 certain employees were granted awards under the MIP which were, collectively, entitled to 15% of the Company's growth in value above a hurdle set at 30% above the IPO share price (166.4p, the 'Hurdle') capped at a value of 6.25% of the Company's issued share capital on the date of the IPO. The MIP currently has a termination date of 28 February 2024 (the 'Longstop Date'); due to delivery of the Group's business plan being delayed by COVID-19, the Committee has held conversations with the Company's four largest shareholders to discuss extending the time horizon of the MIP by two years subject to an uplift in the Hurdle to 193.02p. With major investors supportive of this proposal, we intend to seek shareholder approval at the 2022 AGM to extend the Longstop Date from 28 February 2024 to 28 February 2026 (with the higher Hurdle rate applicable from 29 February 2024). The Committee considers that extending the Longstop Date, in conjunction with the increase

to the Hurdle, is a proportionate and reasonable measure to continue to incentivise the participants to drive growth in value of the Group whilst ensuring that the adverse impact on investors of the delayed timescale is properly reflected.

Wider remuneration and administrative matters

The Committee reviewed its Terms of Reference in April 2022 and determined that these continued to be appropriate and as such proposed no changes to such terms at the present time. The Committee reviewed the Terms of Reference of, and performance of, the Group's Employee Consultation Group ('ECG') in January 2022 and determined that the ECG remains well-represented by all areas of the Company and is given every opportunity to make a significant and worthwhile contribution to the Group's remuneration policy. The ECG's views are given due weight by the Committee, with the ECG's meeting minutes regularly shared with and considered by the Committee and representatives from the Chair of the ECG made two formal presentations to the Committee and the main Board in December 2021 and July 2022. The Committee continues to believe 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 FY22 and therefore no discussions of this nature were held by the Committee.

The Committee continues to place the highest of value on the views of investors on remuneration matters and I would encourage any of our shareholders who wish to discuss any aspect of this report to get in touch with me.

Alan Rigby

Chair of the Remuneration Committee

2 November 2022

Remuneration Committee Report continued

Remuneration policy

1. Introduction

The Group's 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 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 shareholder.
- 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 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 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.
Maximum opportunity	<p>The Committee has set no overall maximum on salary increases, as it believes that this creates an anchoring effect for Executive Directors and other employees. 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 Committee is gradually transitioning that person to a market rate. <p>In considering any increases to salary for Executive Directors, the Committee shall carefully consider the impact of such changes on associated indirect costs including pension contributions.</p>
Performance measures	None, although the Committee takes into account individual performance, skills and experience when setting and reviewing salaries.

Fixed remuneration: Benefits

Element, purpose and link to strategy	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.
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 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 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	The maximum opportunity will depend upon the cost of providing the relevant benefits and individual's personal circumstances. The 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.
Performance measures	None.

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	The Executive Directors currently receive between 3% and 7.56% of basic salary as a contribution to their pension arrangements (or as an equivalent cash allowance). This has been reduced in the year from 12% as part of a move towards alignment with the standard pension scheme. 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.
Performance measures	None.

Remuneration Committee Report continued

Remuneration policy continued

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 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. 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 Committee may determine that the deferred element of the bonus is to be held as cash rather than shares, where the 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 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 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.
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, may be granted by the Committee, such bonus to be conditional upon the achievement of an adjusted EBITDA-based target and such other financial target (if any) as the Committee considers appropriate (subject always to an adjusted EBITDA underpin). <p>An annual bonus opportunity of up to a further 20% of base salary may be granted by the 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 adjusted 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 adjusted EBITDA levels.</p> <p>In determining whether the performance measures have been satisfied, the 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 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 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 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>

Variable remuneration: Annual bonus plan

Performance measures (continued)	<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 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 Committee been aware (or fully aware) of that breach, and of which the 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.
---	--

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. Any shares purchased to satisfy PSP awards will be held by an employee benefit trust until vesting. 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. 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. 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>

Remuneration Committee Report continued

Remuneration policy continued

Variable remuneration: Performance share plan (PSP)

Performance measures

The vesting of all awards made under the PSP is dependent upon performance conditions based upon:

- EPS growth (50% weighting) and up to two strategic or individual objectives (up to a maximum of 25% weighting each).

The Committee believes the chosen metrics are suitably aligned with the Group's strategy and are focused on delivering long-term growth and shareholder return.

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.

In determining whether the performance measures have been satisfied, the 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 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 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 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.

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 Committee considers that any particular targets are not commercially sensitive.

Malus and/or clawback provisions may be triggered in the following scenarios:

- 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 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 Committee been aware (or fully aware) of that breach, and of which the 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.

Variable remuneration: Management incentive plan (MIP)

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	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. The 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. The awards made under the MIP vested in 2020. A number of the awards were exercised in 2022.
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.

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 a 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.

Remuneration Committee Report continued

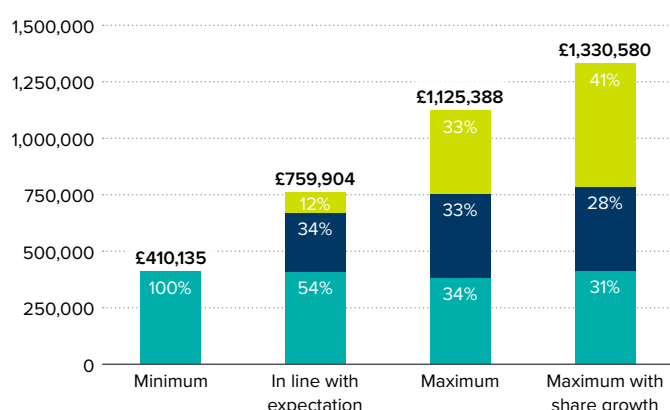
Remuneration policy continued

	Fixed Pay	Annual Bonus	PSP	SAYE
Minimum performance		No bonus	No PSP vesting	
Performance in line with expectations	Fixed elements of remuneration – base salary, car allowance, benefits and pension only. Base salary is as at 31 July 2022 and the value for benefits has been calculated as per the single figure table on page 60.	60% of base salary for achieving target performance (34% in respect of Chris Dent).	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.	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.
Maximum performance		100% of base salary for achieving maximum target performance (60% in respect of Chris Dent).	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.			

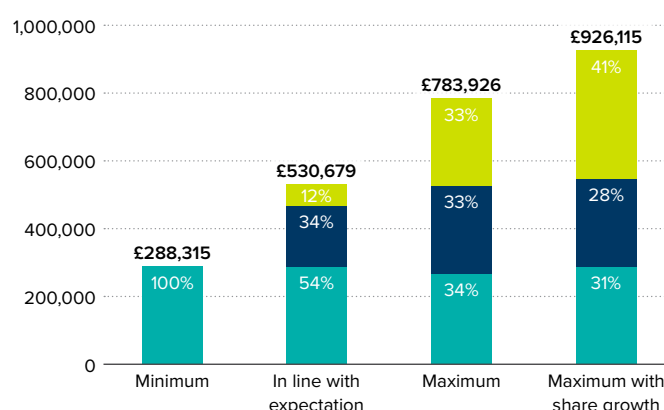
Illustrations of application of remuneration policy

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

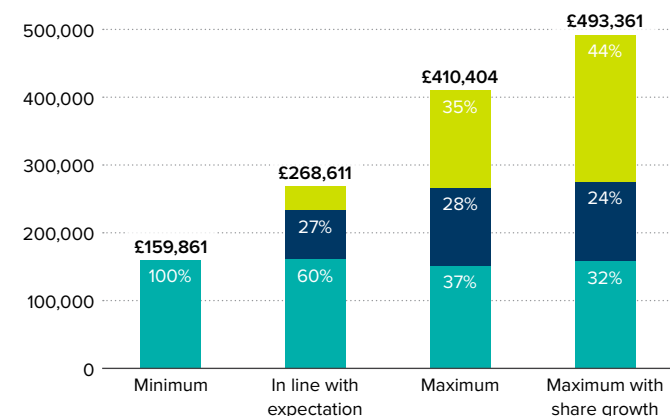
Simon Showman



Andrew Gossage



Chris Dent



Fixed pay Annual bonus PSP

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 Policy, the Committee has and will continue to take into account the remuneration of employees across the Group. The 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 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 Committee.

Whilst the 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 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 Executive Directors 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 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 Remuneration Policy, the Chairman of the Committee sought the views and input of the Group's key shareholders. The 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, The Group 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 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 attaching to the role concerned.

Where the 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 buyout their variable remuneration arrangements, which would be forfeited due to leaving their previous employment. Where this is done, the Committee will take into account the form of any such award, any performance conditions attaching to it (including the likelihood of such performance conditions being achieved) and the period of vesting.

Any buyout payments made will generally seek to reflect the structure and level of the award it replaces, as far as reasonably practicable. The 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 Committee would normally impose clawback provisions on such recruitment awards made to Executive Directors, activated should such individual 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 buyout payments associated with forfeited awards.

The 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 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.

Remuneration Committee Report continued

Remuneration policy continued

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 Committee has the following policies:

- The 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 Committee considers to be analogous to the foregoing (a 'Good Leaver Reason'), the 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 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:

- i. the extent to which the Committee considers that the performance conditions have been satisfied; and
- ii. 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 Committee is of the view that Executive Directors can, in some circumstances, benefit by holding non-executive directorships in other companies. The 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 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 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 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 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 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 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 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 Committee has the discretion to amend the Remuneration Policy with regard to minor or administrative matters where, in the opinion of the 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 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 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 Committee Chairs 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.

Remuneration Committee Report continued

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 2022 and 31 July 2021.

	Basic Salary/Fees ^{1,3} 2022 £	All Taxable Benefits 2022 £	Pension 2022 £	Total Fixed 2022 £	Bonus 2022 £	MIP, PSP and SAYE ² 2022 £	Total Variable 2022 £	Total 2022 £
Executive Directors								
S Showman	396,868	1,635	3,667	402,170	35,255	–	35,255	437,425
A Gossage	281,380	1,416	–	282,796	36,643	–	36,643	319,439
C Dent	51,071	170	3,249	54,490	–	–	–	54,490
G Screawn	149,830	2,009	–	151,839	24,970	319,486	344,456	496,295
Non-executive Directors								
J McCarthy	86,250	–	–	86,250	–	–	–	86,250
A Rigby	52,612	–	–	52,612	–	–	–	52,612
R Bell	52,612	–	–	52,612	–	–	–	52,612
C Adshead	45,863	–	–	45,863	–	–	–	45,863
J Easterbrook	46,779	–	–	46,779	–	–	–	46,779
	1,163,265	5,230	6,916	1,175,411	96,868	319,486	416,354	1,591,765

	Basic Salary/Fees ^{1,3} 2021 £	All Taxable Benefits 2021 £	Pension 2021 £	Total Fixed 2021 £	Bonus 2021 £	MIP, PSP and SAYE ² 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

1 The salaries noted above include amounts for car allowance: S Showman £12,500 (2021: £12,500); A Gossage £12,500 (2021: £12,500); C Dent £3,295 (2021 – £ nil) and G Screawn £10,000 (2021: £10,000), and the following amounts of pension contributions from the remuneration package that were paid as salary:

	2022 £	2021 £
S Showman	31,827	40,496
A Gossage	24,595	28,062
G Screawn	14,981	14,810
	71,403	83,368

2 The Group has three long-term incentive plans for the years ended 31 July 2022 and 31 July 2021; the MIP, PSP and SAYE. The 2019 SAYE scheme vested on 1 March 2022 and on 3 May 2022, G Screawn exercised options to acquire 22,784 shares at an exercise price of 39.5 pence per option, with a total net gain of £25,746 based on the market value of the shares on the exercise date, less the exercise price. G Screawn also exercised his put option to sell his entire MIP interest on 2 November 2021, with a total value of £293,740.

3 The remuneration noted above for C Adshead includes £3,250 received in respect of fees for delivering executive coaching sessions to the Group's senior operating managers in the year ended 31 July 2022 (2021: £2,500).

Individual elements of remuneration

Base salary

The Remuneration Committee consulted with its remuneration advisers and considered 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 2022, the base salaries of the Executive Directors are as follows, including comparison to the previously agreed rates:

	Base Salary 1 March 2022 £	Base Salary 1 March 2021 £	Movement %
S Showman	368,178	341,380	7.85%
A Gossage	255,120	236,551	7.85%
C Dent	145,000	–	N/A
G Screawn	124,848	124,848	0.00%

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; C Dent £10,000 and G Screawn £10,000. The car allowances have remained unchanged. The pension contributions for S Showman and A Gossage were reduced from 12% to 7.56% in the year as part of a move towards alignment with the standard pension scheme, with a corresponding increase in base salaries. There has been no increase to G Screawn's base salary or pension contribution due to his planned retirement later in 2022. C Dent receives a 3% pension contribution.

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 between 3% and 7.6% of their salary (excluding any car allowance) as a contribution to their pension arrangements or the equivalent as a cash allowance. This has been reduced in the year from 12% as a result of an alignment towards the standard pension scheme. Base salaries have been correspondingly increased. In the year ended 31 July 2022, each of the Executive Directors took the option to receive a cash allowance as follows: S Showman received £31,827 (2021: £40,496), A Gossage received £24,595 (2021: £28,062), C Dent received £nil (2021: £nil) and G Screawn received £14,981 (2021: £14,810). 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 2022 (2021: £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 considered 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 2022, the Board increased the base fees payable to the Non-executive Directors for their services from £42,000 to £43,470 per annum.

Remuneration Committee Report continued

Remuneration report continued

The fee for A Rigby is £43,470 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 £43,470 per annum in respect of services as Non-executive Director and £10,000 per annum in respect of services as Chair of the Audit and Risk Committee. The fee for J Easterbrook is £43,470 per annum in respect of services as Non-executive Director, and £10,000 per annum in respect of services as Chair of the Environmental, Social and Governance Committee. The fee for C Adshead is £43,470 per annum in respect of services as Non-executive Director. The fee for J McCarthy is £88,000 per annum (2021: £85,000) in respect of services as Non-executive Chairman.

Annual bonus scheme

Awards made in respect of the year to 31 July 2022

In accordance with the Remuneration Policy, the maximum bonus opportunity under the Annual Bonus Plan for FY22 was set at 100% of base salary for S Showman and A Gossage (FY 21: 100%), and 80% of base salary for G Screawn (FY 21: 80%). The Remuneration Committee attached performance conditions to each award, one based upon adjusted 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 adjusted EBITDA was obtained.

Performance condition	Level	Opportunity (assessed performance shown in red)		
		S Showman	A Gossage	G Screawn
Adjusted EBITDA	Threshold (£18.7m)	0%	0%	0%
	Target (£20m)	60%	60%	40%
	Stretch 1 (£21.5m)	65%	65%	45%
	Stretch 2 (£23m)	70%	70%	50%
	Stretch 3 (£24.5m)	75%	75%	55%
	Stretch 4 (£26m)	80%	80%	60%
Personal Target 1 (subject to Adjusted EBITDA underpin)	Below Threshold	0%	0%	0%
	Threshold	5%	5%	1%
	Target	7.5%	7.5%	2%
	Stretch	10%	10%	3%
Personal Target 2 (subject to Adjusted EBITDA underpin)	Below Threshold	0%	0%	0%
	Threshold	5%	5%	5%
	Target	7.5%	7.5%	10%
	Stretch	10%	10%	17%
Total opportunity		100%	100%	80%
Total assessed (% of base salary)		10%	15%	20%
Total assessed (% of max. opportunity)		10%	15%	25%

As EBITDA for FY22 was £18.8m, the Threshold level of performance was delivered but the Target level was not hit, resulting in a bonus of £nil being paid to the Executive Directors for this element. The Committee assessed performance against the personal strategic targets as set out below. In each case, the 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:** Personal Target 1 related to the growth in international revenue at appropriate margin levels. Threshold was set at gross international revenue of £52.5m; as international revenue for FY22 was £53.6m this Threshold target was satisfied, resulting in an award of 5% of base salary in respect of this measure. In measuring margin levels for this and the other performance conditions discussed below which incorporate a margin measure, the Committee utilises an internal metric referred to as "system margin" (the details of which are not disclosed due to the highly commercially sensitive nature of these targets) and in assessing the performance against system margin the Committee made certain adjustments to account for shipping costs being higher than forecast due to macroeconomic factors. Personal Target 2 related to the development and maintenance of relationship strategies to increase revenue generation from supermarkets and was assessed against gross revenue from supermarkets at appropriate margin levels. Threshold was set at gross supermarket revenue of £51m; as supermarket revenue for FY22 was £52.4m this Threshold target was satisfied, resulting in an award of 5% of base salary in respect of this measure.

- **A Gossage:** Personal Target 1 related to the development of online direct-to-consumer revenues at appropriate margin levels. Threshold was set at gross direct-to-consumer revenue of £26.35m; as direct-to-consumer revenue for FY22 was £27.16m this Threshold target was satisfied, resulting in an award of 5% of base salary in respect of this measure. During FY22 the Group strategically diverted certain stock to wholesale customers and the Committee adjusted the direct-to-consumer targets accordingly. Personal Target 2 related to leading and supporting the transition of the Group's accounting and risk management functions to a new CFO. The Committee were satisfied that by year end FY22 this process had been completed to an exceptionally high standard with measurable benefits to the Group, resulting in an assessment of this target to Stretch level and an award of 10% of base salary in respect of this measure.
- **G Screawn:** Personal Target 1 related to maintaining robust internal risk mitigation procedures. The Committee determined that business risks had been proactively managed and monitored during FY22 and that engagement with the Audit and Risk Committee and through broader Board discussions had resulted in a high impact of these procedures on business performance, resulting in an assessment of this target to Stretch level and an award of 3% of base salary in respect of this measure. Performance Target 2 related to the effective transition of all Group accounting and risk management functions and responsibilities to the new CFO prior to 31 July 2022. The Committee determined that this transition had been managed well in excess of expectations, resulting in significant benefits to Group performance and as such assessed this target to Stretch level and an award of 17% of base salary being made in respect of this measure.

Long-term incentive plans (audited)

PSP

On 6 June 2022, 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 Committee and standard market practice. Under the PSP a total of 364,000 shares were placed under option with an exercise price of £Nil to certain members of management under the rules of the PSP, of which C Dent received 40,000. No awards under the PSP were made to any other Executive Director.

SAYE

On 27 May 2022 options were granted to 89 employees with options granted over 443,410 shares, of which G Screawn received 7,531. 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. The 2019 SAYE scheme matured on 1 March 2022 and options over a total of 943,236 shares were exercised at 39.5p per share. 22,784 of these shares were acquired by G Screawn.

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 seven years following the vesting date. Exercise of the put option is subject to the share price of UP Global Sourcing Holdings plc exceeding a hurdle set at a 30% premium to the IPO price. At the point of exercise, the recipient will receive the value of the 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 2022

	Subsidiary Shares Held	Maximum Potential Plc Shares at 31 July 2022	Face Value
Executive Directors			
S Showman	48	—	—
A Gossage	32	—	—

As at 31 July 2021

	Subsidiary Shares 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

Remuneration Committee Report continued

Remuneration report continued

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. On 10 December 2021, G Screawn exercised his put option to acquire 149,722 ordinary shares at 196.19p per share and as such, has no remaining award under the MIP at 31 July 2022. 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 31 July 2022, 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.

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
C Dent	4 April 2022	4 April 2022	6 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
J Easterbrook	21 September 2020	21 September 2020	1 Month
C Adshead	21 September 2020	21 September 2020	1 Month

All other Outside appointments are disclosed in the Director biographies set out on pages 38 to 39 of the Annual Report.

Payments for loss of office (audited)

There have been no such payments made in either the year ended 31 July 2022 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 £28,333 in respect of his services in this role in the year ended 31 July 2022 (2021 – £35,609).

Directors' shareholdings (audited)

The table below sets out the total number of shares held at 31 July 2022 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	–	–	–
A Gossage	32	8,052,400	–	–	–
C Dent	–	50,000	40,000	–	–
G Screawn	–	594,868	224,709	–	12,341
Non-executive Directors					
J McCarthy	–	935,000	–	–	–
A Rigby	–	25,000	–	–	–
R Bell	–	402,144	–	–	–
C Adshead	–	–	–	–	–
J Easterbrook	–	–	–	–	–

- 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 2022 did not exceed the hurdle price and as such, the potential MIP shares at 31 July 2022 were nil. G Screawn exercised his award on 10 December 2021.
- 2 Pursuant to the Remuneration Policy, 30% of the award payable under the Annual Bonus Plan to G Screawn in respect of the years 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 was 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. The second tranches of one-third of these deferred bonus shares/cash were released on 29 November 2021 with the final third remaining subject to the nominee arrangement. Similarly, 30% of the award payable under the Annual Bonus Plan to G Screawn, S Showman and A Gossage for the year ended 31 July 2021 were deferred in the same way.

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 2022:

	Shares owned outright at 1 November 2021	Shares owned outright 31 July 2022	Shares held under share options 31 July 2022	Potential MIP shares 31 July 2022	Deferred bonus shares 31 July 2022	Shares owned outright at 3 November 2022
S Showman	18,530,600	18,530,600	–	–	–	18,530,600
A Gossage	8,052,400	8,052,400	–	–	–	8,052,400
C Dent	–	50,000	40,000	–	–	50,000
G Screawn	416,581	594,868	224,709	–	12,341	594,868
J McCarthy	935,000	935,000	–	–	–	1,000,000
A Rigby	25,000	25,000	–	–	–	25,000
R Bell	402,144	402,144	–	–	–	502,144
C Adshead	–	–	–	–	–	–
J Easterbrook	–	–	–	–	–	–

Shareholding requirement

	Base Salary 1 £	Total Shareholding	Shareholding Requirement as % of Salary	Shareholding Requirement 2	Actual Shareholding as % of Requirement
S Showman	368,178	18,530,600	250%	860,229	2154%
A Gossage	255,120	8,052,400	250%	596,075	1351%
C Dent 3	145,000	50,000	125%	169,393	30%
G Screawn	124,848	594,868	125%	145,850	408%

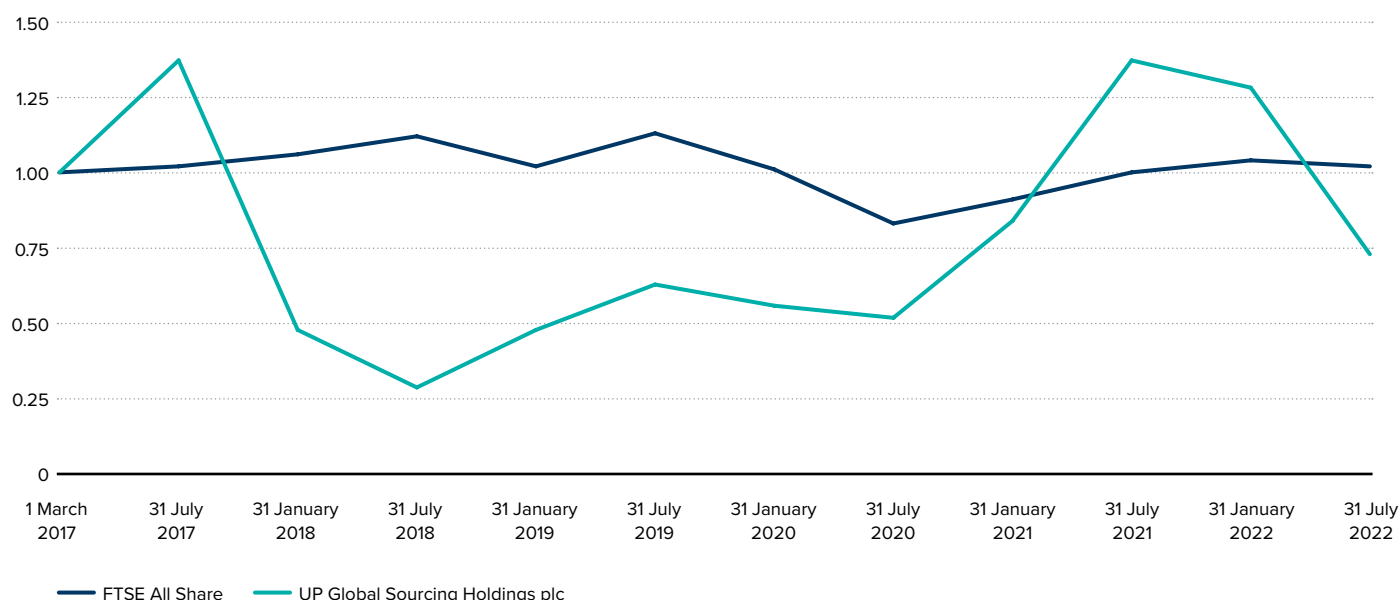
- 1 Base salary above excludes any amount in respect of a car allowance.
- 2 Salary divided by the 31 July 2022 share price of 107p, multiplied by percentage of salary.
- 3 C Dent was appointed on 4 April 2022 and is in the process of building up his shareholding to the required 125% of salary within the maximum period of five years as required by the Remuneration Policy; the Committee will continue to monitor this process.

Remuneration Committee Report continued

Remuneration report continued

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. 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 the period since IPO:

Chief Executive	Year	Single Figure Remuneration £'000	Annual Bonus (% of maximum)	PSP Vesting (% of maximum)
S Showman	2022	437	10%	Nil
S Showman	2021	595	60%	Nil
S Showman ¹	2020	345	Nil	Nil
S Showman	2019	710	79%	Nil
S Showman	2018	382	Nil	Nil
S Showman	2017	1,434	Nil	Nil

¹ It is noted that the single figure remuneration for 2020 includes the impact of a salary reduction that was taken by S Showman as a result of the Covid pandemic.

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.

	2022 £'000	2021 £'000	% Change
Total employee costs (note 7 – Financial Statements)	15,106	13,284	13.7%
Dividends	6,359*	4,363**	45.8%

* Dividends declared and proposed in respect of the year ended 31 July 2022, including any such amounts waived

** Dividends declared and proposed in respect of the year ended 31 July 2021 including any such amounts waived

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 Group's 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 2021	A	24.7:1	22.0:1	15.4:1
Year ended 31 July 2022	A	17.6:1	15.3:1	10.8:1

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 2021 and 31 July 2022. 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 2021 and 31 July 2022. The total pay and benefits and the base salary component of total pay and benefits are set out as follows:

	Base salary 2022 ¹ £	Total pay and benefits 2022 £	Base salary 2021 £	Total pay and benefits 2021 £
CEO remuneration	352,546	437,425	337,476	594,575
25th percentile employee	21,336	24,802	19,831	24,047
Median employee	27,670	28,500	25,125	27,049
75th percentile employee	37,021	40,601	31,917	38,495

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.

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 2022 and 31 July 2021 compared to that of the average pay of all employees of the Group.

	Salary/ fees % change 2022 ¹	Benefits % change 2022	Annual bonus % change 2022
Executive Directors			
S Showman	4.3%	1.1%	-82.6%
A Gossage	4.2%	1.2%	-76.8%
C Dent	n/a	n/a	n/a
G Screawn	1.1%	-2.8%	-66.3%
Non-Executive Directors			
J McCarthy	3.5%	0.0%	0.0%
A Rigby	3.5%	0.0%	0.0%
R Bell	3.5%	0.0%	0.0%
C Adshead	3.5%	0.0%	0.0%
J Easterbrook	3.5%	0.0%	0.0%
Average pay of all employees²	7.6%	-11.9%	-11.8%

Remuneration Committee Report continued

Remuneration report continued

	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	+4.4%	-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 employees²	+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	-3.5%	—	—
A Rigby	-1.7%	—	—
R Bell	-3.3%	—	—
B Franks	-3.3%	-8.7%	—
Average pay of all employees²	+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 relevant comparator.

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

The Committee sought independent advice from its remuneration advisors RSM as part of its work reviewing the base salaries of the individual Executive Directors on and considered this, 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 sought independent advice from RSM on the fees payable to the Non-executive Directors and subsequently considered the level of those fees on the same basis. As noted above, as a result of this process and with effect from 1 March 2022:

- the Committee increased the base salary of the Chief Executive Officer and Managing Director by 7.9% but reduced their pension provision by 32.1% resulting in a net increase to their fixed remuneration of 3.6%;
- the Committee increased the base fees payable to the Chairman for his services by 3.5%;
- the Chairman and the Executive Directors increased the base fees of the Non-executive Directors by 3.5%.

Following the Board's decision to appoint Chris Dent as the Group's new Chief Financial Officer his remuneration package was determined by the Committee. In line with the Remuneration Policy the Group's contribution to his pension was set at 3% of salary being a level aligned with to that awarded to the general workforce.

Following the establishment of the ESG Committee of the Board and the appointment of Jill Easterbrook to chair that Committee, the Chairman and the Executive Directors determined that a fee of £10,000 per annum shall be payable for such role with effect from 1 March 2022.

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 60% of base salary for C Dent. This is the same level as in the prior year (there is no prior year comparator for C Dent although the maximum potential bonus achievable for G Screawn was 80% of base salary) and is in accordance with set at or below the maximum levels set by the Remuneration Policy. 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 2023 have been determined by the Committee. The 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.

In the year ended 31 July 2022 the Committee determined that it was appropriate to make awards under the PSP and SAYE as follows:

- on 6 June 2022, options were issued to certain members of management with performance conditions attached. Under the PSP a total of 364,000 shares were placed under option with an exercise price of £Nil, of which C Dent received 40,000. No awards under the PSP were made to any other Executive Director.
- on 27 May 2022 options were granted to 89 employees with options granted over 443,410 shares, of which G Screawn received 7,531. No other Executive Directors were granted options under the SAYE.

The Committee will consider making further awards under the PSP in the year ending 31 July 2023. 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 Committee in advance of the awards being granted and, given the commercial sensitivity of the detailed performance measures used for the PSP, the 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.

Remuneration Committee Report continued

Remuneration report continued

Consideration of matters relating to Directors' remuneration

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

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

External advisers

The 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 Committee is comfortable that the RSM engagement partner and team that provides remuneration advice to the Committee do not have connections with the Company that may impair their independence. The Committee is committed to regularly reviewing the external advisor relationship. RSM have charged fees of £11,500 for Committee matters in the year to 31 July 2022.

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 2021 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	64,599,399	99.01%	646,958	0.99%	30

The Remuneration Report was approved by the Board on 2 November 2022.

On behalf of the Board

Alan Rigby

Chair of the Remuneration Committee

2 November 2022

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 2022.

Strategic Report

The Companies Act 2006 requires the Directors to present a review of the business during the year to 31 July 2022 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 1 to 37 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 38 to 75 and is incorporated by reference into this Directors' Report.

Results and dividends

The Group's profit after tax for the financial year ended 31 July 2022, was £12.4m (2021: £7.3m). In line with our policy of distributing 50% of the Group's adjusted profit after tax, the Board is pleased to propose a final dividend of 4.82p per share (2021: 3.33p per share). This takes the total dividend for the year to 7.12p per share (2021: 5.02p per share). Subject to shareholder approval at the AGM on 16 December 2022, the final dividend will be paid on 27 January 2023 to shareholders on the register at the close of business on 6 January 2023.

Future developments

In accordance with s414A of the Companies Act 2006, the Group has disclosed future developments within its Strategic Report on pages 1 to 37.

Directors

Names, biographical details and appointment dates of the Directors of the Company at the date of this report are shown on pages 38 and 39. In addition GP Screawn served as a Director of the Company during the financial year ended 31 July 2022, and resigned from the Board on 31 July 2022.

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.

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 £10m 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 (2021: £Nil).

Post balance sheet events

Other than the Directors proposing a final dividend, as set out in note 11 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. In addition, the Group also has a presence in China, Germany and Poland. The registered Representative Office in China 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 branches in Germany and Poland employ local sales teams to 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.

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.

Directors' Report and other statutory disclosures continued

Substantial shareholdings

As at the date of this report, 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	13,582,548	15.2%	Indirect
Ennismore Fund Management Limited	7,757,762	8.7%	Indirect
Slater Investments Limited	3,646,756	5.1%	Indirect
UP Global Sourcing Employee Benefit Trust	3,089,051	3.5%	Indirect

Relationships with controlling shareholders

Under Listing Rule 9.8.4R(14) the Company has entered into a relationship agreement with the controlling concert party. During the period the Company has complied with the independence provisions in the agreement, and as far as the Company is aware the controlling concert party has also complied with the independence provisions and the procurement obligation in the agreement.

Share capital

At 31 July 2022, the Company's entire issued share capital comprised a single class of 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. 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.

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.

A dividend waiver is in place in respect of the Trustee's shareholdings under the UPGS EBT. Unless the Company directs that the Trustee may vote on a particular occasion, the Trustee abstains 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.

At 31 July 2022, pursuant to shareholder resolutions passed on 10 December 2021, the Company 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 2021). Such authorities will expire at the conclusion of the AGM of the Company on 16 December 2022. It is proposed that such authorities are renewed at the AGM for 2023, 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.

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 2022 AGM.

Carbon emission reporting

Disclosures regarding greenhouse gas emissions, energy consumption and energy efficiency action are included in the Strategic Report on page 28. 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.

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 ten 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 seven years and the current rent is £335,000 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 75. 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 36 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 2022 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	Page 114
(4)	Details of long-term incentive schemes	Pages 47 to 70
(5)	Waiver of emoluments by a Director	Not applicable.
(6)	Waiver of future emoluments by a Director	Not applicable
(7)	Non-pre-emptive issues of equity for cash	Not applicable
(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 72
(11)	Provision of services by a controlling shareholder	Remuneration Report
(12)	Shareholder waivers of dividends	Page 72
(13)	Shareholder waivers of future dividends	Page 72
(14)	Agreements with controlling shareholders	Directors Report

Directors' Report and other statutory disclosures continued

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 2022 AGM.

Annual General Meeting

The Company's AGM will be held at 14:00 pm on 16 December 2022 at the Company's registered office, Manor Mill, 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



Chris Dent

Company Secretary

2 November 2022

Statement of Directors' responsibilities

in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with UK adopted international accounting standards 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 and Company financial statements in accordance with UK adopted international accounting standards. 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 and Company for that period.

In preparing the 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 UK adopted international accounting standards, 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 Group and the Company will continue in business;
- 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.

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 provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Website publication

The Directors are responsible for ensuring the Annual Report and the 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, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and Company.
- 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.

This Directors' Report and responsibility statement was approved by the Board of Directors on 2 November 2022 and is signed on its behalf by



Chris Dent

Company Secretary

2 November 2022

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 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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.

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 2022 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Financial Position, Company Statement of Changes in Equity, Consolidated Statement of Cashflows, the 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 UK adopted international accounting standards 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 ending 31 July 2016 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is seven years, covering the years ending 31 July 2016 to 31 July 2022. 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 read management's assessment that supports the Board's conclusions about the appropriateness of using the going concern basis for the preparation of the financial statements and the disclosures made in the financial statements around going concern;
- We considered the appropriateness of the forecasts prepared 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 re-performed the calculations;
- We challenged the Directors on the key assumptions included in the stress test scenarios used by management including a fall in revenue and margin reductions and looked at the residual working capital to consider whether the Group will remain a going concern; and
- We reviewed the going concern disclosures in the financial statements, and assessed their consistency with the forecasts and other information obtained during the course of our audit.

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% (2021: 99%) of Group profit before tax		
	100% (2021: 100%) of Group revenue		
	99% (2021: 99%) of Group total assets		
		2022	2021
Key audit matters	Rebates	✓	✓
	Inventory provisioning		✓
	Acquisition accounting		✓
	Acquisition accounting was considered to be a key audit matter in 2021 due to the acquisition of Salter Brands Limited in the prior financial year. We have re-assessed the risk level of inventory provisioning this year and no longer consider this to be a key audit mater for this financial year.		
Materiality	Group financial statements as a whole		
	£750,000 (2021: £560,000) based on 5% (2021: 5%) of Profit before tax (2021 – underlying 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 all UK based companies in the Group including the two significant components with coverage of 100 % (2021: 100%) of revenue, 99% (2021: 99%) of profit before tax and 99% (2021: 99%) of net assets. The remaining subsidiaries were considered to be insignificant to the Group audit and no further work was undertaken on these.

Independent Auditor's report continued

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 (note 4 and accounting policy in note 3)

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.

We obtained assurance over the rebate charge and accrual by:

- 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 accrual by agreeing them to claims received during the year and the rebate history.

Key observations:

Based on the procedures completed we found the estimates made by management in calculating the rebate charge and year end accrual to be reasonable.

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	
	2022 £000's	2021 £000's	2022 £000's	2021 £000's
Materiality	750	540	390	300
Basis for determining materiality	5% of Profit before tax.	5% of Profit before tax after adding back one-off underlying items.	Set at 2% of investments value, rounded down.	Capped at 55% of Group materiality.
Rationale for the benchmark applied	In the current year materiality was determined using 5% of profit before taxation (2021 – underlying profit before tax). This was deemed to be measure which would be considered most important to the users of the Financial Statements as one of the Group's key statutory KPIs.		Materiality has been set based on investment valuation as given this is a holding company this is the principal metric within the financial statements.	Calculated as a percentage of Group materiality for Group reporting purposes given the assessment of aggregation risk.
Performance materiality	562	405	290	225
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 52% 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 £13k to £710k. 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 £26,000 (2021: £19,000). 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 Code 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; and • 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; and • The section describing the work of the Audit Committee.

Independent Auditor's report continued

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

In preparing the financial statements, the Directors are responsible for assessing the 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge of the Group and the sectors in which it operates we considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the Group accounting policies, international accounting standards, the UK Companies Act 2006, the Listing Rules and the UK Corporate Governance Code; and industry related such as compliance with health and safety legislation, employment law and taxation legislation. We communicated relevant laws and regulations to all team members, including component audit teams, to ensure they were aware of any relevant regulations in relation to their work.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, revenue being recognised in the incorrect period around the year end and management bias in accounting estimates.

Our audit procedures included, but were not limited to:

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

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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.



Stuart Wood (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Manchester, UK

Date: 2 November 2022

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

Consolidated Income Statement

For the year ended 31 July 2022

	Note	2022 £'000	2021 £'000
Revenue	5	154,191	136,367
Cost of sales		(115,837)	(106,136)
Gross profit		38,354	30,231
Adjusted earnings before interest, tax, depreciation, amortisation, share-based payments & non-recurring items ('Adjusted EBITDA')		18,750	13,291
Depreciation and loss on disposal of fixed assets	6	(2,044)	(1,607)
Amortisation of intangibles	6	(22)	(16)
Share-based payment expense	24	(403)	(228)
Non-recurring items	6	–	(1,414)
Total administrative expenses		(22,073)	(20,205)
Operating profit	6	16,281	10,026
Finance expense	8	(842)	(518)
Profit before tax		15,439	9,508
Tax expense	9	(3,069)	(2,195)
Profit for the year attributable to equity holders of the Company		12,370	7,313
All amounts relate to continuing operations			
Earnings per share			
Basic	10	14.3	9.3
Diluted	10	13.9	9.1

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2022

	2022 £'000s	2021 £'000s
Profit for the year	12,370	7,313
<i>Items that may subsequently be reclassified to the income statement</i>		
Fair value movements on cash flow hedging instruments	3,239	(162)
Hedging instruments recycled through the income statement at the end of hedging relationships	162	961
<i>Items that will not subsequently be reclassified to the income statement</i>		
Foreign currency translation	11	(13)
Other comprehensive income	3,412	786
Total comprehensive income for the year attributable to the equity holders of the Company	15,782	8,099

Consolidated Statement of Financial Position

At 31 July

	Note	2022 £'000	2021 £'000
Assets			
Intangible assets	13	37,025	36,929
Property, plant and equipment	14	6,369	5,719
Total non-current assets		43,394	42,648
Inventories	17	29,162	21,674
Trade and other receivables	18	32,194	26,544
Derivative financial instruments	22	4,142	384
Current tax asset		–	62
Cash and cash equivalents		6,202	133
Total current assets		71,700	48,797
Total assets		115,094	91,445
Liabilities			
Trade and other payables	19	(29,644)	(29,451)
Derivative financial instruments	22	–	(220)
Current tax		(170)	–
Borrowings	20	(22,314)	(7,951)
Lease liabilities	21	(817)	(771)
Deferred consideration	15	(987)	(990)
Total current liabilities		(53,932)	(39,383)
Net current assets		17,768	9,414
Borrowings	20	(8,144)	(10,847)
Deferred tax	16	(7,585)	(6,147)
Deferred consideration	15	–	(983)
Lease liabilities	21	(1,940)	(2,030)
Total non-current liabilities		(17,669)	(20,007)
Total liabilities		(71,601)	(59,390)
Net assets		43,493	32,055
Equity			
Share capital	23	223	223
Share premium	23	14,334	14,334
Employee Benefit Trust reserve	23	(1,571)	(2,152)
Share-based payment reserve	23	1,166	1,024
Hedging reserve	23	3,239	(162)
Retained earnings		26,102	18,788
Equity attributable to owners of the Group		43,493	32,055

These Financial Statements were approved by the Board of Directors and authorised for issue on 2 November 2022 and signed on its behalf by:



Simon Showman

Chief Executive Officer



Chris Dent

Chief Financial Officer

Company registered number: 5432142


Company Statement of Financial Position

At 31 July

	Note	2022 £'000	2021 £'000
Assets			
Investments	12	19,974	19,706
Trade and other receivables	18	33,151	32,000
Total non-current assets		53,125	51,706
Trade and other receivables	18	431	2,264
Current tax asset		106	44
Total current assets		537	2,308
Total assets		53,662	54,014
Liabilities			
Trade and other payables	19	(11,204)	(3,931)
Borrowings	20	(1,937)	(1,937)
Deferred consideration	15	(987)	(990)
Total current liabilities		(14,128)	(6,858)
Net current liabilities		(13,591)	(4,550)
Borrowings	20	(8,434)	(10,549)
Deferred consideration	15	—	(983)
Total non-current liabilities		(8,434)	(11,532)
Total liabilities		(22,562)	(18,390)
Net assets		31,100	35,624
Equity			
Share capital	23	223	223
Share premium	23	14,334	14,334
Share-based payment reserve	23	1,166	1,024
Hedging reserve	23	268	27
Retained earnings		15,109	20,016
Total equity		31,100	35,624

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 £338,000 (2021: £97,000) and the total comprehensive income for the year was a loss of £97,000 (2021: £67,000).

These Financial Statements were approved by the Board of Directors and authorised for issue on 2 November 2022 and signed on its behalf by:



Simon Showman
Chief Executive Officer



Chris Dent
Chief Financial Officer

Company registered number: 5432142

Consolidated Statement of Changes in Equity

For the year ended 31 July

	Note	Share capital £'000	Share premium £'000	EBT reserve £'000	Share-based payment reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total Equity £'000
As at 1 August 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
<i>Transactions with shareholders:</i>								
Ordinary shares issued		18	14,332	–	–	–	–	14,350
Dividends paid	11	–	–	–	–	–	(4,409)	(4,409)
Share-based payments	24	–	–	–	228	–	370	598
Purchase/Sale of shares by the EBT		–	–	3	–	–	–	3
As at 31 July 2021		223	14,334	(2,152)	1,024	(162)	18,788	32,055
Profit for the year		–	–	–	–	–	12,370	12,370
Foreign currency retranslation		–	–	–	–	–	11	11
Cash flow hedging movement		–	–	–	–	3,401	–	3,401
Total comprehensive income for the year		–	–	–	–	3,401	12,381	15,782
<i>Transactions with shareholders:</i>								
Dividends paid	11	–	–	–	–	–	(4,830)	(4,830)
Share-based payments	24	–	–	–	142	–	(29)	113
Purchase/Sale of shares by the EBT		–	–	581	–	–	(208)	373
As at 31 July 2022		223	14,334	(1,571)	1,166	3,239	26,102	43,493

Company Statement of Changes in Equity

For the year ended 31 July 2021

	Note	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total Equity £'000
As at 1 August 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)
<i>Transactions with shareholders:</i>							
Ordinary shares issued		18	14,332	–	–	–	14,350
Dividends payable	11	–	–	–	–	(4,409)	(4,409)
Share-based payments	24	–	–	228	–	–	228
As at 31 July 2021		223	14,334	1,024	27	20,016	35,624
Loss for the year		–	–	–	–	(338)	(338)
Cash flow hedging movement		–	–	–	241	–	241
Total comprehensive income for the year		–	–	–	241	(338)	(97)
<i>Transactions with shareholders:</i>							
Dividends payable	11	–	–	–	–	(4,830)	(4,830)
Share-based payments	24	–	–	142	–	261	403
As at 31 July 2022		223	14,334	1,166	268	15,109	31,100

Consolidated Statement of Cash Flows

For the year ended 31 July

	Note	2022 £'000	2021 £'000
Net cash flow from operating activities			
Profit for the year		12,370	7,313
Adjustments for:			
Finance costs	8	842	518
Income tax expense	9	3,069	2,195
Depreciation	14	2,044	1,607
Amortisation	13	22	16
Derivative financial instruments		274	(678)
Share-based payments	24	403	228
Working capital adjustments			
(Increase) in inventories	17	(7,721)	(368)
(Increase) in trade and other receivables	18	(5,649)	(8,091)
Increase in trade and other payables	19	1,221	9,031
Net cash from operations		6,875	11,771
Income taxes paid		(2,345)	(2,566)
Cash generated from operations		4,530	9,205
Cash flows used in investing activities			
Acquisition of subsidiary	15	(1,960)	(30,578)
Purchase of intangible assets		–	(111)
Purchase of property, plant and equipment		(1,843)	(2,260)
Net cash used in investing activities		(3,803)	(32,949)
Cash flows used in financing activities			
Sale of own shares		373	2
Proceeds from borrowings		14,347	16,048
Repayment of borrowings		(2,766)	(1,144)
Principal paid on lease obligations		(936)	(713)
Proceeds from issue of new shares (net of costs)		–	14,350
Debt issue costs paid		–	(245)
Dividends paid	11	(4,830)	(4,409)
Interest paid		(850)	(335)
Net cash generated by finance activities		5,338	23,554
Net income/(decrease) in cash and cash equivalents		6,065	(190)
Exchange gains/(losses) on cash and cash equivalents		4	(5)
Cash and cash equivalents brought forward		133	329
Cash and cash equivalents carried forward		6,202	133

Reconciliation of cash flow to the Group net debt position

Group	Overdraft £'000	Term Loan £'000	RCF £'000	Invoice discounting £'000s	Import loans £'000s	Loan Fees £'000	Total liabilities from financing activities £'000	Cash £'000	Net bank debt £'000
At 1 August 2020	–	–	(225)	–	(3,903)	136	(3,992)	329	(3,663)
Financing cash flows	–	(10,000)	(2,758)	(3,290)	1,144	245	(14,659)	–	(14,659)
Other cash flows	–	–	–	–	–	–	–	(196)	(196)
Other changes	–	–	–	–	–	(147)	(147)	–	(147)
At 31 July 2021	–	(10,000)	(2,983)	(3,290)	(2,759)	234	(18,798)	133	(18,665)
Financing cash flows	(6,020)	2,000	766	(2,907)	(5,420)	–	(11,581)	6,020	(5,561)
Other cash flows	–	–	–	–	–	–	–	45	45
Other changes	–	–	–	–	–	(79)	(79)	4	(75)
At 31 July 2022	(6,020)	(8,000)	(2,217)	(6,197)	(8,179)	155	(30,458)	6,202	(24,256)

Company Statement of Cash Flows

For the year ended 31 July

	Note	2022 £'000	2021 £'000
Net cash flow from operating activities			
Loss for the year		(338)	(97)
Adjustments for:			
Finance and dividend income		(81)	(188)
Finance costs		349	204
Income tax credit		(73)	(44)
Working capital adjustments			
(Increase)/Decrease in trade and other receivables		53	39
(Decrease)/Increase in trade and other payables		(1,251)	746
Net cash used in operations		(1,341)	660
Cash flows from investing activities			
Movement in loans from Group undertakings		9,539	8,437
Acquisition of subsidiary and repayment of vendor loan notes	15	(851)	(30,578)
Costs of acquisition	15	–	(949)
Dividends received		81	91
Interest received		–	97
Net cash generated from/(used in) investing activities		8,770	(22,902)
Cash flows used in financing activities			
Proceeds from borrowings		–	12,671
Repayment of borrowings		(2,178)	–
Proceeds from issue of new shares (net of costs)		–	14,350
Debt issue costs paid		–	(201)
Dividends paid	11	(4,830)	(4,409)
Interest paid		(421)	(169)
Net cash (used in)/generated by finance activities		(7,429)	22,242
Net increase in cash and cash equivalents		–	–
Cash and cash equivalents brought forward		–	–
Cash and cash equivalents carried forward		–	–

Reconciliation of cash flow to the Company net debt position

Company	Term Loan £'000	RCF £'000	Loan fees £'000	Total liabilities from financing activities £'000
At 1 August 2020	–	(13)	–	(13)
Financing cash flows	(10,000)	(2,671)	201	(12,470)
Other changes	–	–	(3)	(3)
At 31 July 2021	(10,000)	(2,684)	198	(12,486)
Financing cash flows	2,000	177	–	2,177
Other changes	–	–	(62)	(62)
At 31 July 2022	(8,000)	(2,507)	136	(10,371)

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 have been prepared in accordance with UK adopted international financial reporting standards. 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

The Directors have adopted the going concern basis in preparing these accounts after assessing the principal risks and having considered the impact of a severe but plausible downside scenarios, including a further Covid restrictions, supply chain issues and demand led falls in revenue due to the cost of living crisis. The Directors have considered a number of impacts on sales, profits and cash flows, taking into account experiences learnt from previous business interruptions. The Directors have considered the resilience of the Group in severe but plausible scenarios, taking account of its current position and prospects, the principal risks facing the business, how these are managed and the impact that they would have on the forecast financial position. In assessing whether the Group could withstand such negative impacts, the Board has considered cash flow, impact on debt covenants and headroom against its current borrowing facilities. At the year end the Group had a net bank debt/adjusted EBITDA ratio of 1.3x (31 July 2021: 1.4x), which represents net bank debt of £24.3m (2021: £18.8m). The Group maintains comfortable levels of headroom within its bank facilities, with headroom at 31 July 2022 of £17.8m (31 July 2021: £16.2m). The Group's banking facilities comprise a term loan of £8.5m (FY21: £10.0m), a revolving credit facility of £8.2m (FY21: £8.2m), an import loan facility of £9.0m (FY21: £8.7m), and an invoice discounting facility with a total limit of £23.5m (FY21: £23.5m).

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.

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 2022.

Notes to the financial statements continued

3. Accounting policies continued

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.

Employee Benefit Trust ('EBT')

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

Business combinations

The acquisition method of accounting is used to account for business combinations.

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.

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.

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 (£). 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.

Cash

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

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.

Revenue recognition

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.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the Directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

Intangible assets

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 they are separable from the acquired entity or give rise to other contractual/legal rights and 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. Trademarks are amortised over ten years so as to write off the cost of assets less their residual values over their useful lives. Brands are considered to have an indefinite useful life and are therefore not subject to 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 |

Impairment

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.

Notes to the financial statements continued

3. Accounting policies continued

Inventories

Inventories are valued using a first in, first out method and are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in the normal course of business in bringing the products to their present location and condition. At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell, and an impairment charge is recognised in the income statement. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

Taxation

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 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.

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.

Share-based payments

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.

Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

Financial instruments

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

Trade and other receivables

Trade and other receivables, and amounts owed by Group undertakings, are classified at amortised cost and recognised initially at fair value and subsequently measured at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) less provisions for impairment. These assets are held to collect contractual cash flows being solely the payments of the principal amount and interest. Provisions for impairment of trade receivables are recognised for expected lifetime credit losses using the simplified approach. Impairment reviews of other receivables, including those due from related parties, use the general approach whereby 12-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.

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.

Loans and borrowings

Interest-bearing overdrafts and invoice discounting facilities are classified as other liabilities. They are initially recorded at fair value, which represents the fair value of the consideration received, net of any direct transaction costs associated with the relevant borrowings. Borrowings are subsequently stated at amortised cost and finance charges are charged to profit or loss over the term of the instrument using an effective rate of interest. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Leases

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

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

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

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

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

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

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.

Notes to the financial statements continued

3. Accounting policies continued

Hedging arrangements

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

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

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

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

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

Accounting developments

The Group has adopted and applied the following standards and amendments in the year, which are relevant to its operations, none of which had a material impact on the financial statements: IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments). At the date of authorisation of these financial statements, the Group has not applied the following new or revised standards and interpretations that have been issued but are not yet effective: IFRS 3 'Business Combinations' (amendments) references to the Conceptual Framework; IAS 1 'Presentation of Financial Statements' (amendments) classification of liabilities as current or non-current and disclosure of accounting policies; IAS 12 'Income Taxes' (amendments) deferred tax related to assets and liabilities arising from a single transaction; IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (amendments) definition of accounting estimates; Annual improvement in IFRS Standards 2018-2020. The Directors do not expect that the adoption of the standards, amendments and interpretations listed above will have a material impact on the financial statements of the Group.

4. Critical accounting estimates and judgements

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

Inventory provisioning

The Group sources, imports and sells products across a range of categories, 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 £0.4m (2021: £0.6m).

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 £2.1m (2021: £2.1m).

Valuation of derivatives held at fair value

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 22.

Valuation of acquired intangibles

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

Impairment Reviews

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, the details of which are disclosed in note13.

5. Revenue

Geographical split by location:	2022 £'000	2021 £'000
United Kingdom	101,050	92,916
Germany	19,231	13,882
Rest of Europe	29,700	27,720
Rest of the World	4,210	1,849
Total	154,191	136,367
International sales	53,141	43,451
Percentage of total revenue	34.5%	31.9%

Analysis of revenue by brand:	2022 £'000	2021 £'000
Salter	48,080	28,379
Beldray	39,950	42,374
Russell Hobbs (licensed)	20,165	16,840
Progress	8,287	6,683
Kleeneze	2,835	2,136
Premier brands	119,317	96,412
Other proprietorial brands	17,032	24,357
Own label and other	17,842	15,599
Total	154,191	136,367

Notes to the financial statements continued

5. Revenue continued

Analysis of revenue by product:	2022 £'000	2021 £'000
Small domestic appliances	57,032	48,715
Housewares	54,539	35,898
Laundry	14,799	17,216
Heating and cooling	5,870	6,937
Audio	12,907	15,457
Others	9,044	12,144
Total	154,191	136,367

Analysis of revenue by sales channel:	2022 £'000	2021 £'000
Supermarkets	51,523	38,914
Discount retailers	48,126	51,526
Online channels	25,321	20,590
Multiple-store retailers	17,312	15,578
Other	11,909	9,757
Total	154,191	136,367

6. Operating profit

Operating profit is stated after charging/(crediting):	2022 £'000	2021 £'000
Foreign exchange loss	1,472	581
Loss on disposal of fixed asset	6	44
Depreciation of owned property, plant and equipment	1,181	791
Depreciation of right of use assets	857	772
Amortisation of intangible assets	22	16
Auditors' remuneration:		
Fees for audit of the Company	40	44
Fees for the audit of the Company's subsidiaries	42	46
Total audit Fees	82	90
Corporate finance services	–	74
Other assurance services	18	13
Total non-audit Fees	18	87

No non-audit services were provided on a contingent fee basis. Corporate finance services relate to fees incurred in the acquisition of Salter Brands Limited in the prior year were non-recurring. £66,000 of the corporate finance fees relate to permitted services and, therefore, fall outside the 70% permitted fee cap.

The following costs have been drawn to the attention of the users of the accounts due to their nature and materiality within the accounts.

	2022 £'000	2021 £'000
Coronavirus Job Retention Scheme repayment	–	466
Acquisition of Salter Brands Limited	–	948
	–	1,414

During FY20, 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. Costs 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.

7. Employee costs

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Wages and salaries	13,126	11,669	309	297
Social security costs	1,282	1,161	35	34
Other pension costs	294	226	–	–
Share-based payments	403	228	–	–
Total	15,105	13,284	344	331

The average monthly number of people employed (including Directors) was:

	Group		Company	
	2022 Number	2021 Number	2022 Number	2021 Number
Average number of employees:				
Sales staff	80	69	–	–
Distribution staff	77	56	–	–
Administrative staff	208	171	6	6
Total	365	296	6	6

Details of Directors' remuneration and pension entitlements are disclosed in the Remuneration Report on pages 47 to 70. Social security costs payable in respect of the Directors were £166,000 (2021: £199,000).

8. Finance costs

	2022 £'000	2021 £'000
Interest on bank loans and overdrafts	704	412
Interest on lease liabilities	74	82
Foreign exchange in respect of lease liabilities (net of hedging actions)	(11)	(10)
Other interest payable and similar charges	75	34
Total finance cost	842	518

9. Taxation

	2022 £'000	2021 £'000
Current period – UK corporation tax	2,390	1,591
Adjustments in respect of prior periods	(281)	(27)
Foreign current tax expense	467	641
Total current tax	2,576	2,205
Origination and reversal of temporary differences	351	43
Adjustments in respect of prior periods	81	(37)
Impact of change in tax rate	61	(16)
Total deferred tax	493	(10)
Total tax charge	3,069	2,195

Notes to the financial statements continued

9. Taxation continued

Factors effecting the tax charge

The tax assessed for the current and previous years period is higher than the standard rate of corporation tax in the UK. The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2022 £'000	2021 £'000
Profit before tax	15,439	9,508
Tax charge at 19.0% (2021 – 19.0%)	2,933	1,807
<i>Adjustments relating to underlying items:</i>		
Adjustment to tax charge in respect of prior periods	(200)	(9)
Effects of expenses not deductible for tax purposes	(9)	11
Impact of overseas tax rates	231	299
Effect of difference in corporation tax and deferred tax rates	88	2
<i>Adjustments relating to non-underlying items:</i>		
Adjustment to tax charge in respect of prior periods	–	(55)
Effects of expenses not deductible for tax purposes	77	224
Differences arising on tax treatment of shares	(178)	(33)
Effect of difference in corporation tax and deferred tax rates	127	(51)
Total tax expense	3,069	2,195

Corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the year. In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. Deferred tax balances at the year-end have been measured at 25%.

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

	2022 £'000	2021 £'000
Profit for the year	12,370	7,313
	Number	Number
Weighted average number of shares in issue	89,312,457	82,521,850
Less shares held by the UPGS EBT	(2,958,630)	(4,056,659)
Weighted average number of shares – basic	86,353,827	78,465,191
Share options	2,580,825	2,039,490
Weighted average number of shares – diluted	88,934,652	80,504,681
	Pence	Pence
Earnings per share – basic	14.3	9.3
Earnings per share – diluted	13.9	9.1

11. Dividends

	2022 £'000	2021 £'000
Interim dividend paid in respect of the previous year	–	906
Final dividend paid in respect of the previous year	2,844	2,183
Interim declared and paid	1,986	1,320
	4,830	4,409
Per share	Pence	Pence
Interim dividend paid in respect of the previous year	–	1.16
Final dividend paid in respect of the previous year	3.33	2.795
Interim declared and paid	2.30	1.69
	5.63	5.645

The Directors propose a final dividend of 4.82p per share in respect of the year ended 31 July 2022.

12. Investments

Company	2022 £'000	2021 £'000
Carrying value at beginning of the year	19,706	17,457
(Adjustment)/additions	(135)	2,021
Share-based payments	403	228
	19,974	19,706

The 2021 additions comprise the consideration in respect of the share capital of Salter Brands Limited along with associated acquisition costs. The negative additions of £135,000 in 2022 represents the adjustment to the consideration in the current year. At 31 July 2022 the Company owned the following subsidiaries:

	Registered Office	Holding	Proportion of Voting Rights and Shares Held	Nature of Business
UP Global Sourcing UK Limited	Manor Mill, Victoria Street, Oldham OL9 0DD	Ordinary shares	100%	Supply of branded household products
UP Global Sourcing Hong Kong Limited	Unit B, 13th Floor, Yun Tat Commercial Building, 70–74 Wuhu Street, Hong Kong	Ordinary shares	100%	Supply of branded household products
Salter Brands Limited	Manor Mill, Victoria Street, Oldham OL9 0DD	Ordinary shares	100%	Dormant

Notes to the financial statements continued

13. Intangible assets

	Goodwill £'000	Trademarks £'000	Brands £'000	Total £'000
Cost				
At 1 August 2020	–	111	–	111
Additions	9,676	111	27,072	36,859
At 31 July 2021	9,676	222	27,072	36,970
Adjustments	118	–	–	118
At 31 July 2022	9,794	222	27,072	37,088
Amortisation				
At 1 January 2020	–	25	–	25
Charge for year	–	16	–	16
At 31 July 2021	–	41	–	41
Charge for year	–	(22)	–	(22)
At 31 July 2022	–	(63)	–	–
Net book value				
At 31 July 2022	9,794	159	27,072	37,025
At 31 July 2021	9,676	181	27,072	36,929
At 1 August 2020	–	86	–	–

Intangible assets primarily relate to the Kleeneze and Petra trademarks, and the Salter brand and goodwill. 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 5.8 years and 8.6 years respectively. 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 five-year projection period approved by management, 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:

- 10.6% pre-tax discount rate;
- 10% per annum projected revenue growth rate; and
- 5% per annum increase in operating costs and overheads.

The discount rate of 10.6% 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 10% revenue growth rate is appropriate and justified based on market conditions and knowledge of the previous long-term 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.

14. Property, plant and equipment

Cost	Fixtures, Fittings and Equipment £'000	Motor Vehicles £'000	Right of use assets £'000	Total £'000
As at 1 August 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
Additions	1,843	–	176	2,019
Disposals	(894)	–	(164)	(1,058)
Lease modifications	–	–	198	198
As at 31 July 2022	7,608	56	4,973	12,637

Accumulated Depreciation and Impairment Losses

As at 1 August 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
Charge for the year	1,168	13	857	2,038
Disposals	(894)	–	(158)	(1,052)
Lease modifications	–	–	(477)	(477)
As at 31 July 2022	3,707	53	2,508	6,268

Carrying Amount:

As at 31 July 2022	3,901	3	2,465	6,369
As at 31 July 2021	3,226	16	2,477	5,719
As at 31 July 2020	1,787	29	3,249	5,065

The Company held no property, plant and equipment. Included in property, plant and equipment are assets held outside of the UK with a carrying amount at 31 July 2022 of £1.0m (2021: £0.9m).

Right of Use assets

Cost	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Property £'000	Total £'000
As at 31 July 2021	211	–	4,552	4,763
Additions	136	40	–	176
Disposals	(164)	–	–	(164)
Modifications	–	–	198	198
As at 31 July 2022	183	40	4,750	4,973

Accumulated Depreciation

As at 31 July 2021	168	–	2,118	2,286
Charge	44	13	800	857
Disposals	(157)	–	–	(157)
Modifications	–	–	(478)	(478)
As at 31 July 2022	55	13	2,440	2,508

Carrying Amount

As at 31 July 2022	128	27	2,310	2,465
As at 31 July 2021	42	–	2,434	2,476

Notes to the financial statements continued

15. Acquisitions

On 15 July 2021, the Group acquired 100% of the share capital of Salter Brands Limited from FKA Brands Limited. The total consideration transferred was £33.5m in respect of the acquisition of the share capital and the acquisition of vendor loan notes. During the year there was a final adjustment to the consideration of £135,000 based on the agreed completion mechanism.

	£'000
Cost of the business combination	1,660
Consideration in respect of vendor loan notes	32,000
Adjustment to deferred consideration	(135)
Total consideration	33,525

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 in the current year	1,109
Deferred consideration paid in the current year	851
Deferred consideration balance at fair value	987
Total consideration	33,525

The deferred consideration is payable in six-monthly instalments for 24 months following the acquisition. The acquisition was funded by the combination of a £10m term loan facility, £15m from the issue of 7,142,857 ordinary shares of 0.25p each at a price of £2.10 per share (which after costs amounted to £14,350,000) 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 and have been updated to reflect the final adjustment to the consideration.

	Book Value £'000	Adjustments £'000	Fair Value £'000
Tangible assets	7	(7)	–
Intangible assets	–	27,072	27,072
Stock	5,323	(273)	5,050
Debtors	269	427	696
Vendor loan notes	(32,000)	–	(32,000)
Creditors	(2,004)	(449)	(2,453)
Deferred tax liability	–	(6,633)	(6,633)
Total identifiable net liabilities	(28,405)	20,137	(8,268)
Cost of the business combination			1,526
Goodwill			9,794

Intangible assets of £27.1m and a corresponding deferred tax liability of £6.8m 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 £9.8m. 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.

16. Deferred tax

	Intangibles £'000	Accelerated allowances £'000	Hedging £'000	Provisions £'000	Share-based payment £'000	Total £'000
As at 1 August 2020	–	(4)	–	110	–	106
Acquired in the year	(6,633)	–	–	–	–	(6,633)
Recognised through the statement of changes in equity	–	–	–	–	370	370
Credit/(charge) in the year	–	(142)	–	12	140	(10)
As at 31 July 2021	(6,633)	(146)	–	122	510	(6,147)
Recognised through the statement of changes in equity	–	–	(655)	–	(290)	(945)
Credit/(charge) in the year	(135)	(399)	–	14	27	(493)
As at 31 July 2022	(6,768)	(545)	(655)	136	247	(7,585)

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 attributive of £740,000 (2021: £630,000) in respect of losses carried forward that are not anticipated to be utilised under current conditions.

17. Inventories

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

Inventories at 31 July 2022 are stated after provisions for impairment of £358,000 (2021: £595,000). Inventories are pledged as security for liabilities, as referred to in note 20. Within the income statement of the Group £100.7m of inventories were recognised as an expense within the year (2021: £92.0m).

18. Trade and other receivables

Group	2022 £'000	2021 £'000
Trade receivables	30,643	25,372
Other receivables and prepayments	1,551	1,172
	32,194	26,544

Trade and other receivables are denominated in Sterling, US Dollars, Euros, Canadian Dollars and Polish Zloty. 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 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. 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. The average age of these receivables at 31 July 2022 is 59 days (2021: 57 days).

Notes to the financial statements continued

18. Trade and other receivables continued

Group	2022			2021		
	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 trade receivables (insured)	28,747	2,042	30,789	24,068	1,250	25,318
Expected credit loss	–	(381)	(381)	–	(175)	(175)
Net carrying amount	28,747	1,661	30,408	24,068	1,075	25,143
Gross trade receivables (uninsured)	231	11	242	227	5	232
Expected credit loss	–	(7)	(7)	–	(3)	(3)
Net carrying amount	231	4	235	227	2	229
Gross Trade receivables (total)	28,978	2,053	31,031	24,295	1,255	25,550
Expected credit loss	–	(388)	(388)	–	(178)	(178)
Net carrying amount	28,978	1,665	30,643	24,295	1,077	25,372

Ageing of past due but not impaired receivables	2022 £'000	2021 £'000
Less than 1 month	3,242	2,648
1–2 months	583	654
2–3 months	413	171
Over 3 months	669	252
Total	4,907	3,725

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 15% of the total at 31 July 2022. 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 22. 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 20.

Company	2022 £'000	2021 £'000
Amounts owed by Group undertakings	–	2,158
Other receivables and prepayments	431	106
Current	431	2,264
Amounts owed by Group undertakings	33,151	32,000
Non-current	33,151	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.

19. Trade and other payables

Group	2022 £'000	2021 £'000
Trade payables	20,662	19,293
Accruals	7,433	8,628
Other taxes and social security	1,549	1,530
	29,644	29,451

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.

Company	2022 £'000	2021 £'000
Amounts owed to Group undertakings	10,971	2,438
Other payables	161	1,109
Accruals	72	384
	11,204	3,931

20. Bank borrowings

Group	2022 £'000	2021 £'000
Overdrafts	6,020	-
Invoice discounting	6,197	3,290
Import loans	8,179	2,759
Term loan	2,000	2,000
Unamortised debt issue costs	(82)	(98)
Current	22,314	7,951
Revolving credit facility	2,217	2,983
Term loan	6,000	8,000
Unamortised debt issue costs	(73)	(136)
Non-current	8,144	10,847
Total borrowings	30,458	18,798
Contractual maturities:		
In less than one year	22,396	8,049
Between one and two years	2,000	2,000
Between three and four years	6,217	8,983
Less: Unamortised debt issue costs	(155)	(234)
Total borrowings	30,458	18,798

At the year end the Group had a net bank debt/adjusted EBITDA ratio of 1.3x (31 July 2021: 1.4x), which represents net bank debt of £24.3m (2021: £18.8m). The Group maintains comfortable levels of headroom within its bank facilities, with headroom at 31 July 2021 of £17.8m (31 July 2020: £16.2m). The Group's banking facilities comprise of a term loan of £8.5m (FY21: £10.0m), a revolving credit facility and net overdraft facility of £8.2m (FY21: £8.2m), an import loan facility of £9.0m (FY21: £8.7m), and an invoice discounting facility with a total limit of £23.5m (FY21: £23.5m).

Notes to the financial statements continued

20. Bank borrowings continued

Company	2022 £'000	2021 £'000
Term loan	2,000	2,000
Unamortised debt issue costs	(63)	(63)
Current	1,937	1,937
Revolving credit facility	2,507	2,684
Term loan	6,000	8,000
Unamortised debt issue costs	(73)	(135)
Non-current	8,434	10,549
Total borrowings	10,371	12,486
Contractual maturities:		
In less than one year	2,000	2,000
Between one and two years	2,000	2,000
Between three and four years	6,507	8,684
Less: Unamortised debt issue costs	(136)	(198)
Total borrowings	10,371	12,486

Current bank borrowings include a gross amount of £6.2m (2021: £3.3m) 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 £8.2m (2021: £2.8m) 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. Total bank borrowings are net of £155,000 (2021: 234,000) 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.

21. Lease liabilities

The Group's lease portfolio comprises its principal properties along with certain other fixtures, fittings and equipment. All leases consist of fixed future payment amounts. With the exception of the Manor Mill lease which incorporates a break option to provide operational flexibility, all leases have fixed terms. Management consider the likelihood of exercising such break options when determining the lease term. Accordingly, the lease term for Manor Mill was determined to be the full length of the lease, excluding the break option. 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.

Group	2022 £'000	2021 £'000
Lease liabilities less than one year	817	771
Lease liabilities greater than one year	1,940	2,030
Total discounted lease liabilities	2,757	2,801
Contractual undiscounted maturities:		
Within one year	882	834
Greater than one year but less than two years	441	804
Greater than two years but less than five years	966	635
Greater than five years but less than ten years	668	750
	2,957	3,023

	2022 £'000	2021 £'000
Movement in leases in the year		
Balance brought forward	2,801	3,514
New leases and lease modifications (note 14)	851	–
Repayments	(1,010)	(794)
Interest on lease liabilities	74	82
Foreign exchange revaluation	41	(1)
Balance carried forward	2,757	2,801
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	857	772
Interest expense on lease liabilities	74	82
Expense relating to leases of low value assets & short-term leases	161	93
Income from sub-leasing right of use assets	(6)	(6)

22. Financial instruments

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

Group	2022 £'000	2021 £'000
Trade receivables – held at amortised cost	30,643	25,372
Derivative financial instruments – assets subject to hedge accounting	3,899	47
Derivative financial instruments – assets not subject to hedge accounting	243	337
Trade and other payables	(28,095)	(27,921)
Derivative financial instruments – liabilities subject to hedge accounting	–	(220)
Derivative financial instruments – liabilities not subject to hedge accounting	–	–
Borrowings	(30,458)	(18,798)
Lease liabilities	(2,757)	(2,801)
Deferred consideration	(987)	(1,973)
Cash and cash equivalents – held at amortised cost	6,202	133

Financial Liabilities

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

Group	2022 £'000	2021 £'000
Trade payables	20,662	19,293
Borrowings	30,458	18,798
Other payables	7,433	8,628
Lease liabilities	2,757	2,801
Deferred consideration	987	1,973
	62,297	51,493

Notes to the financial statements continued

22. Financial instruments continued

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	2022 £'000	2021 £'000
Derivative financial instruments – assets	4,142	384
Derivative financial instruments – liabilities	–	(220)
	4,142	164

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

Group	2022 £'000	2021 £'000
Foreign currency contracts	3,524	97
Interest rate swaps	261	47
Interest rate caps	357	20
	4,142	164

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 2022, the Group was committed to:

	2022		2021	
	Buy	Sell	Buy	Sell
USD\$'000	57,050	–	54,875	–
€'000	–	23,200	–	23,575
CAD\$'000	–	60	–	140
PLN'000	–	5,500	–	2,800
CNY'000	2,459	–	4,399	–

At 31 July 2022 & 2021, all the outstanding USD, EUR, PLN and CAD contracts mature within 12 months of the period end. 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 2022 is an asset of £3.5m (2021: £97,000).

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 an asset of £3.4m (2021: liability of £220,000), 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 £3.4m within 12 months (2021: £220,000 within 12 months). The cash flows in respect of the forward contracts will occur over the course of the next 12 months.

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 2022, protection was in place over an aggregate principal of £18.3m (2021: £15.6m). At 31 July 2022, the Group had borrowings of £6.3m (2021: £3.4m) 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 £261,000 (2021: £47,000), 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 2 January 2024 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 £357,000 (2021: £20,000).

Reconciliation of the financial instruments to the Statement of Financial Position

Group	2022 £'000	2021 £'000
Trade receivables	30,643	25,372
Prepayments and other receivables not classified as financial instruments	1,551	1,172
Trade and other receivables (note 18)	32,194	26,544
Group	2022 £'000	2021 £'000
Trade and other payables	28,095	27,921
Other taxes and social security not classified as financial instruments	1,549	1,530
Trade and other payables (note 19)	29,644	29,451

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.

- 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.
- 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.
- 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.

Notes to the financial statements continued

22. Financial instruments continued

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 FY22, on average, over 98% of its trade receivables were insured. 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	2022 \$'000	2021 \$'000
Trade receivables	11,276	15,679
Other receivables	990	729
Net cash, overdrafts and revolving facilities	7,364	34
Import loans	(9,965)	(3,836)
Invoice discounting	75	(910)
Trade payables	(21,310)	(19,984)
	(11,570)	(8,288)

The effect of a 20% strengthening of Sterling at 31 July 2022 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 £1.3m (2021: £0.8m). 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 £1.9m (2021: £1.2m).

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

Group	2022 €'000	2021 €'000
Trade receivables	9,345	7,948
Net cash, overdrafts and revolving facilities	(125)	(24)
Invoice discounting	(5,617)	(3,091)
Trade payables	(612)	(235)
Lease liabilities	(810)	(283)
	2,181	4,315

The effect of a 20% strengthening of Sterling at 31 July 2022 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 £262,000 (2021: £497,000). 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 £393,000 (2021: £746,000).

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

Fair value estimation

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

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

Maturity of financial assets and liabilities

All of the Group's non-derivative financial liabilities and its financial assets at the reporting date are either payable or receivable within one year, except for borrowings as disclosed in note 20 and lease liabilities as disclosed in note 21.

23. Share capital & reserves

Allotted, called up and fully paid	2022 £'000	2021 £'000	2022 No. of shares	2021 No. of shares
At 1 August	223	205	89,312,457	82,169,600
Placing	—	18	—	7,142,857
At 31 July	223	223	89,312,457	89,312,457

0.25p Ordinary shares carry rights to dividends and other distributions from the Company, as well as carrying voting rights.

- **Share Premium:** Consideration received for shares issued above their nominal value net of transaction costs.
- **EBT reserve:** The cost of shares repurchased and still held at the end of the reporting period by the UPGS EBT.
- **Share-based payment reserve:** The cumulative share-based payment expense.
- **Hedging reserve:** Gains and losses arising on forward currency contracts and on fixed to floating interest rate swaps that have been designated as hedges for hedge accounting purposes.

Notes to the financial statements continued

24. Share-based payments

The Company has established a number of different long-term incentive plans in the form of an equity settled share option schemes. Awards are granted and approved at the discretion of the Remuneration Committee. Further details of these schemes are set out in the Directors' Remuneration Report. Currently 157 (2021: 139) members of staff hold options for shares in the Company under the scheme. The share-based payments expense recognised in respect of employee services received during the year was £403,000 (2020: £228,000). This all arises on equity-settled share-based payment transactions.

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

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

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

The Black-Scholes pricing model is applied on the granting dates of options.

Black-Scholes option pricing model

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

The 2017 MIP is structured as an award of A ordinary shares in UP Global Sourcing UK Limited ('Subsidiary Shares'). The right attaching to the Subsidiary Shares include a put option with a three-year vesting period that can be exercised up to seven years following the vesting date. Exercise of the put option is subject to the share price of UP Global Sourcing Holdings plc exceeding a hurdle set at a 30% premium to the IPO price. At the point of exercise, the recipient will receive the value of the 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:

Management incentive plan (MIP)	2022	Weighted average exercise price	2021	Weighted average exercise price
Outstanding & exercisable at the beginning of the period	2,543,773	–	2,543,773	–
Exercised during the period	(149,722)	–	–	–
Unvested during the period	(2,394,051)	–	–	–
Outstanding & exercisable at the end of the period	–	–	2,543,773	–

At 31 July 2021, the average 90 day share price was £2.1197 resulting in 2,543,773 shares being under option. At 31 July 2022 the share price had not met the hurdle price referred to above and, as a result, no shares were under option.

25. Related party transactions

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

	2022 £'000	2021 £'000
Short-term remuneration	2,170	2,514
Other pension costs	60	36
Share-based payments	195	105
	2,425	2,655

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 2022 and the total for all Directors amounted to £3,105 (2021: £1,445). Consultancy fees paid to Directors were £3,750 (2021: £2,500). During the year a family member of a Director was employed on a short-term basis and was paid £3,533 (2021: £nil).

	2022 £'000	2021 £'000
Transactions with related companies:		
Lease payments to Heron Mill Limited	407	285
Lease payments to Berbar Properties Limited	180	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 2022 or 31 July 2021.

Notes to the financial statements continued

Five-year summary (unaudited)

The results for the years ended 31 July 2018 to 31 July 2019 have been previously restated to reflect the impact of IFRS 16.

	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Revenue	154,191	136,367	115,684	123,257	87,571
Cost of sales	(115,837)	(106,136)	(89,084)	(96,013)	(67,979)
Gross profit	38,354	30,231	26,600	27,244	19,592
Administrative expenses	(22,073)	(20,205)	(17,485)	(18,304)	(13,793)
Profit from operations	16,281	10,026	9,115	8,940	5,799
Finance income	–	–	–	6	53
Finance costs	(842)	(518)	(753)	(816)	(470)
Profit before taxation	15,439	9,508	8,362	8,130	5,382
Income tax	(3,069)	(2,195)	(1,747)	(1,720)	(1,133)
Profit for the period	12,370	7,313	6,615	6,410	4,249

Non-GAAP performance measures

	2022	2021	2020	2019	2018
Adjusted EBITDA (£'000)	18,750	13,291	10,363	10,720	7,166
Adjusted EBITDA margin%	12.2%	9.7%	9.0%	8.7%	8.2%
Adjusted profit before taxation (£'000)	15,842	11,150	8,163	8,387	5,574
Adjusted profit after taxation (£'000)	12,722	8,727	6,504	6,667	4,441
Adjusted earnings per share (p)	14.7p	11.1p	8.3p	8.4p	5.4p

UP Global Sourcing Holdings plc

Manor Mill
Victoria Street
Chadderton
Oldham
OL9 0DD

+44 (0) 161 627 1400
www.upgs.com

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

Notes to the financial statements continued