
ULTIMATE PRODUCTS

# WELCOME TO THE HOME OF BRANDS


**UP GLOBAL SOURCING HOLDINGS PLC**
Interim Report FY 22

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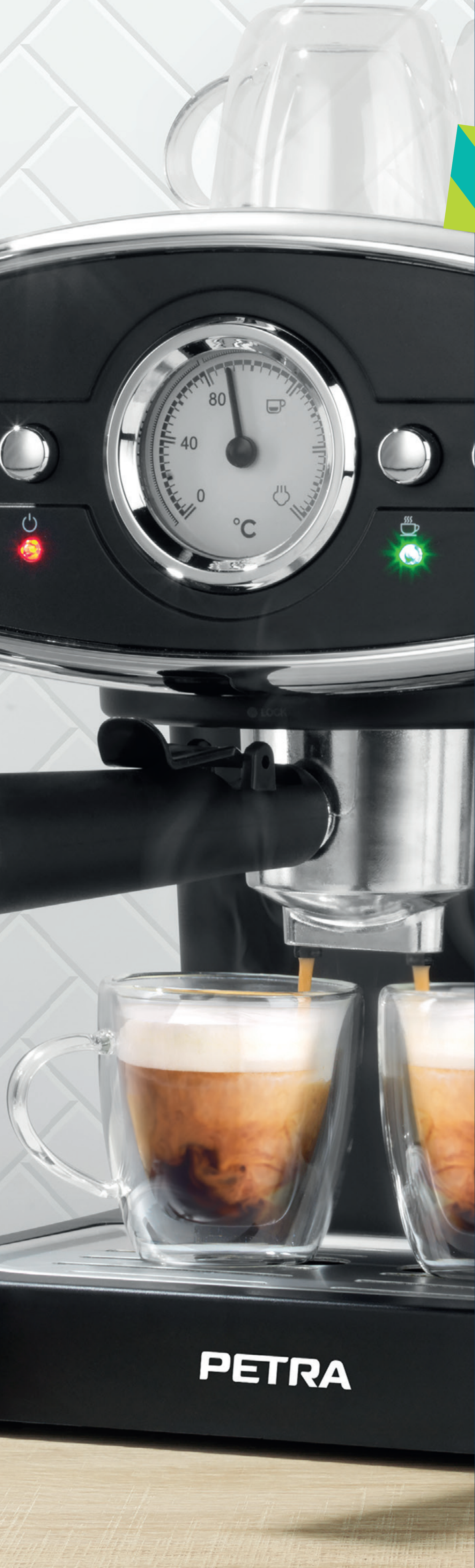


# REPORT CONTENTS

## INTERIM REPORT 2022



## ADDITIONAL INFORMATION



# We are passionate about product.

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

# INTERIM STATEMENT

We are pleased to present the Interim Report for the six months ended 31 January 2022, a period when, against the challenging background of the COVID-19 pandemic and the global shipping crisis, the business once again demonstrated its resilience and adaptability.

## STRATEGY

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

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

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

## OPERATIONAL REVIEW

### Integration of the Salter Acquisition

Salter is the UK's oldest housewares brand, dating back to 1760 when Richard Salter began making the first spring scales in the UK, from the village of Bilston in Staffordshire. Salter has long been the market leader for bathroom and kitchen scales in the UK, with kitchen electrical and cookware sold under the brand by the Group under licence since 2011.

The Salter brand was acquired by the Group in July 2021, right at the end of the FY 21 financial year with the integration largely taking place during the six months ended 31 January 2022 ('H1 FY 22'). This integration took place quickly and efficiently with the acquisition performing well, in line with plan and is expected to significantly enhance earnings in FY 22.

The acquisition of Salter is a significant and exciting moment in the history of Ultimate Products, substantially strengthening our brand portfolio with full ownership now enabling us to drive growth of this brand in a way that we could not have achieved when it was licensed. International represents a particular opportunity given its substantial British heritage credentials.

### Shipping Crisis

During calendar year 2021 ('CY 21') and calendar year 2022 ('CY 22'), 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, albeit we were able to offset this by actions elsewhere (see below for more commentary).

While shipping remains a challenge for the business, there has been an improvement in availability and reliability during CY 22. We believe that the Group has dealt with the shipping crisis and indeed the wider supply chain crisis much better than its peers. As the situation continues to normalise, we see this providing 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 will arise from improved stock availability.

### Petra Brand Update

During CY 21, 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, packaging 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 or early 2023, with a substantial initial order received for products including waffle makers, air fryers and multi-meal

# INTERIM STATEMENT

makers. This exciting development underlines our belief that Petra, with its German heritage and reputation for quality and design, has the potential to be a brand of the scale of Salter or Beldray.

### Head Office Investment

Since FY 20, the Group has invested £1.6 m in its Manor Mill head office, to provide additional capacity for future growth and a best-in-class working environment. Our colleagues were welcomed into this new workspace during September 2021. This investment is an important step in the development of our talent, through collaborative working and the interchange of ideas.

### Robotics Process Automation

As both a B2C and B2B supplier, our position in the supply chain brings a 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 for our competition. We therefore continue to concentrate on developing our systems and processes 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, which we have already identified. 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.

## TRADING FOR THE PERIOD

Driven by the acquisition of Salter, revenue increased for H1 FY 22 by 13.7 % (£10.3 m) to £85.7 m (H1 FY 21 – £75.4 m). Organically, the existing business (excluding the Salter acquisition), grew by 2.6 % (£1.9 m) to £77.3 m (H1 FY 21 – £75.4 m), despite the headwinds of COVID-19 and the shipping crisis.

### International

International revenue was ahead of last year by 22.8 % (£5.4 m) to £29.0 m (H1 FY 21 – £23.6 m), with Germany continuing to perform particularly well, up 59.0 % (£4.4 m). From a low base, we are also seeing strong growth in Rest of World since we appointed our Australian distributor, with revenue up 174.4 % (£1.2 m) to £2.0 m (H1 FY 21 – £0.7 m). The prospects for our international business, which is mainly focused on Europe, remain very encouraging, with Germany representing a particularly exciting opportunity.

### Supermarkets

Our brands continued to resonate very well with supermarket customers in both the UK, and increasingly, in Europe which led to further robust growth in H1 FY 22, with revenue up 48.5 % (£10.4 m) to £31.8 m (H1 FY 21 – £21.4 m). The existing business, grew by 35.5 % (£7.6 m) to £29.0 m (H1 FY 21 – £21.4 m). The key contributors to growth in this segment continue to be the Salter, Beldray and Russell Hobbs brands. The supermarket segment accounted for 37.1 % of revenue in the period (H1 FY 21 – 28.4 %) and was the largest individual segment, overtaking discount. This is the continuation of the strong long-term growth and increased revenue share from this channel being driven by improved consumer awareness and perception of our brands, allied with excellent execution and service to the retailer.

### Online Platforms

Online grew by 8.8 % (£1.0 m) in the period to £12.8 m (H1 FY 21 – £11.8 m) although, stripping out the Salter acquisition, our existing online business actually shrank by 11.9 % (£1.4 m) to £10.4 m (H1 FY 21 – £11.8 m). As previously highlighted in our FY 21 results, online was adversely affected in H1 FY 22 by the tighter stock availability caused by the disruption to shipping. We see this as a temporary set-back in the rapid and long-standing growth of our online business, with core growth expected to return as the shipping disruption eases and stock availability improves. We continue to target 30 % of overall revenue from online over the medium-term.

### Discounters

Sales to discounters fell by 11.5 % (£3.3 m) to £25.1 m (H1 FY 21 – £28.4 m) with the core business falling by 12.6 % (£3.6 m) to £24.8 m (H1 FY 21 – £28.4 m), 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, 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 CY 21. Looking through fluctuations that have been caused by the pandemic, discount remains, we believe, a growth segment within overall retail and we will continue to target it as one of our key growth channels.

### Operating Margins

Gross margin increased to 24.4 % (H1 FY 21 – 22.8 %) largely 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. Despite substantially increased shipping costs, core gross margins were steady compared to H1 FY 21, representing a significant recovery on the H2 FY 21 gross margin of 21.4 %. While improved foreign exchange rates have certainly helped in this margin recovery, the actions of the commercial teams including increasing prices, changing the product mix and developing over 1,000 new products per year during CY 20 and CY 21, have also had a significant effect.

Underlying[1] administrative expenses increased by 15.5 % (£1.4 m) to £10.6 m (H1 FY 21 – £9.2 m), remaining broadly stable at 12.4 % of revenue (H1 FY 21 – 12.2 %). The combination of higher revenues, higher gross margin and overheads being broadly stable relative to revenue led to a 28.7 % (£2.5 m) increase in underlying EBITDA[1] to £11.3 m (H1 FY 21 – £8.8 m), with underlying EBITDA[1] margin improving 1.5 % to 13.1 % (H1 FY 21 – 11.6 %). Underlying profit before taxation[2] increased by 28.6 % (£2.2 m) to £9.9 m (H1 FY 21 – £7.7 m).

## BALANCE SHEET AND CASH FLOW

Net working capital at 31 January 2022 was £36.3 m, up from £16.9 m at 31 January 2021 – an increase of 115.0 %. Net cash from operations in the period was an outflow of £6.5 m (H1 FY 21 – £6.8 m inflow), as working capital increased over H1 FY 22 with trade receivables up £11.2 m and inventories up £5.4 m over the period.

Increased trade receivables are attributable to higher overall revenues, the later timing of these revenues with December 2021 being a particularly strong month compared to normal, and higher debtor days due to the increased mix of supermarket business, where payment terms are typically longer.

Higher inventories are attributable to the necessary rebuilding of the Group's stock position after being artificially depressed during FY 20 and FY 21 by the accelerated growth of online during lockdown, the strong demand for sales from stock as non-essential retailers reopened and reduced shipping capacity as a result of the CY 21 shipping crisis.

Net bank debt at 31 January 2022 was £30.3 m, up from £18.9 m at 31 July 2021 and £1.5 m at 31 January 2021. The movement since 31 July 2021 is largely explained by the working capital movements referred to above with the movement since 31 January 2021 further explained by the Salter acquisition, with £31.1 m of consideration paid during that period less the net proceeds of £14.4 m from the equity placing that part funded that acquisition.

Shareholders' equity increased to £38.2 m at 31 January 2022, up from £16.0 m at 31 January 2021, an increase of £22.2 m. The main movements in shareholders' equity were:

# INTERIM STATEMENT

- an increase of £14.4 m in the share capital and share premium arising from the equity placing during FY 21 to part fund the Salter acquisition;
- an increase in retained earnings of £5.5 m; and
- a £2.0 m movement in the hedging reserve as GBP strengthened against the USD, leading to gains within our forward USD contracts.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (‘ESG’)

The Group endeavours to give back to the communities in which it operates, with our activities during the pandemic in support of food banks, the NHS, domestic abuse survivors and young carers being recent examples of this. We also seek to be a responsible and considerate employer through measures including regular colleague engagement, ongoing training and mentoring, support for colleague-led measures, such as the Mental Health Committee and the £1.6 m investment during CY 21 in the new much-improved head office workspace. In addition, we fully comply with the UK Corporate Governance Code and have introduced an effective internal ESG governance structure with the establishment of an ESG Committee. More information on our ESG approach can be found in our FY 21 Annual Report.

We are currently working on our plans for Net Zero and will be setting out our targets and deadlines for this, including Scope 1 and Scope 2 emission targets and solutions to capture scope 3 data, in our FY 22 Annual Report later in CY 22.

## DIVIDEND

In line with the Group’s dividend policy of 50 % of adjusted profits after tax, the Board has declared an interim dividend of 2.3 p per share, up from 1.69 p last year, an increase of 36.1 %. The interim dividend is payable on 29 July 2022 to shareholders on the register on 8 July 2022, with an ex-dividend date of 7 July 2022.

## CURRENT TRADING AND OUTLOOK

The Board anticipates a full year performance in line with current market expectations.

The Group has so far not been impacted by the recent lockdowns in China, but continues to monitor the situation closely. The Board is confident in the Group’s ability to navigate its way through any further lockdowns in the region, having done so successfully at the beginning of the pandemic.

More broadly, the current cost of living crisis, partly arising from the war in Ukraine, together with increased personal taxation and reduced benefits is leading to a general fall in disposable income. The Board believes that the Group is well placed to respond to this given its relentless focus on delivering value to the consumer. We intend to carry on winning market share and through this continue to deliver growth despite the challenging market backdrop.

James McCarthy
Chairman
28 April 2022

Simon Showman
Chief Exec Officer
28 April 2022

***Note:***

*1 Calculated after adding back share-based payment charges and other non-underlying items as referred to in Note 10.*

*2 Calculated after adding back share-based payment charges and other non-underlying items as referred to in Note 12.*

# CONSOLIDATED CONDENSED INCOME STATEMENT

| | Note | 6 months ended 31 Jan 2022 (Unaudited) £'000 | 6 months ended 31 Jan 2021 (Unaudited) £'000 | Year ended 31 Jul 2021 (Audited) £'000 |
|---|---|---|---|---|
| Revenue | 7 | **85,746** | 75,382 | 136,367 |
| Cost of sales | | **(64,845)** | (58,199) | (106,136) |
| Gross profit | | **20,901** | 17,183 | 30,231 |
| Underlying administrative expenses | | **(10,626)** | (9,198) | (18,563) |
| Underlying profit from operations | | **10,275** | 7,985 | 11,668 |
| Share-based payment charges and other non-underlying items | 9 | **(144)** | (547) | (1,642) |
| Administrative expenses | | **(10,770)** | (9,745) | (20,205) |
| **Profit from operations** | 10 | **10,131** | 7,438 | 10,026 |
| Finance costs | 11 | **(361)** | (277) | (518) |
| **Profit before taxation** | 12 | **9,770** | 7,161 | 9,508 |
| Income tax | 13 | **(2,150)** | (1,446) | (2,195) |
| **Profit for the period** | | **7,620** | 5,715 | 7,313 |
| | | **Pence** | **Pence** | **Pence** |
| **Earnings per share – basic** | 14 | **8.9** | 7.3 | 9.3 |
| **Earnings per share – diluted** | 14 | **8.5** | 7.2 | 9.1 |

# CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

| | 6 months ended 31 Jan 2022 (Unaudited) £'000 | 6 months ended 31 Jan 2021 (Unaudited) £'000 | Year ended 31 Jul 2021 (Audited) £'000 |
|---|---|---|---|
| **Profit for the period** | **7,620** | 5,715 | 7,313 |
| Other comprehensive income | | | |
| *Items that may subsequently be reclassified to the Income Statement:* | | | |
| Fair value movements on cash flow hedging instruments | **1,011** | (721) | (162) |
| Hedging instruments recycled through the Income Statement at the end of hedging relationships | **118** | 617 | 961 |
| Foreign currency retranslation | **2** | (9) | (13) |
| **Other comprehensive income/(expense) for the period** | **1,131** | (113) | 786 |
| **Total comprehensive income for the year attributable to the equity holders of the Company** | **8,751** | 5,602 | 8,099 |

# CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

| | Note | As at 31 Jan 2022 (Unaudited) £'000 | As at 31 Jan 2021 (Unaudited) £'000 | As at 31 Jul 2021 (Audited) £'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Intangible assets | 16 | **27,242** | 100 | 27,253 |
| Goodwill | 16 | **9,676** | - | 9,676 |
| Property, plant and equipment | 17 | **5,663** | 5,101 | 5,719 |
| Deferred tax | | **-** | 239 | - |
| **Total non-current assets** | | **42,581** | 5,440 | 42,648 |
| Inventories | | **27,093** | 15,775 | 21,674 |
| Trade and other receivables | 18 | **37,753** | 23,820 | 26,544 |
| Derivative financial instruments | 22 | **1,327** | 117 | 384 |
| Current tax asset | | **-** | - | 62 |
| Cash and cash equivalents | | **257** | 2,624 | 133 |
| **Total current assets** | | **66,430** | 42,336 | 48,797 |
| **Total assets** | | **109,011** | 47,776 | 91,445 |
| **Liabilities** | | | | |
| Trade and other payables | 19 | **(29,686)** | (22,885) | (29,451) |
| Derivative financial instruments | 22 | **-** | (1,079) | (220) |
| Current tax | | **(648)** | (590) | - |
| Borrowings | 20 | **(20,091)** | (4,012) | (7,951) |
| Lease liabilities | 21 | **(849)** | (774) | (771) |
| Deferred consideration | | **(987)** | - | (990) |
| **Total current liabilities** | | **(52,261)** | (29,340) | (39,383) |
| **Net current assets** | | **14,169** | 12,996 | 9,414 |
| Borrowings | 20 | **(10,239)** | - | (10,847) |
| Deferred tax | | **(6,055)** | - | (6,147) |
| Deferred consideration | | **(494)** | - | (983) |
| Lease liabilities | 21 | **(1,758)** | (2,428) | (2,030) |
| **Total non-current liabilities** | | **(18,546)** | (2,428) | (20,007) |
| **Total liabilities** | | **(70,807)** | (31,768) | (59,390) |
| **Net assets** | | **38,204** | 16,008 | 32,055 |

| | As at 31 Jan 2022 (Unaudited) £'000 | As at 31 Jan 2021 (Unaudited) £'000 | As at 31 Jul 2021 (Audited) £'000 |
|---|---|---|---|
| **Equity** | | | |
| Share capital | **223** | 205 | 223 |
| Share premium | **14,334** | 2 | 14,334 |
| Employee Benefit Trust reserve | **(2,072)** | (2,155) | (2,152) |
| Share-based payment reserve | **1,099** | 877 | 1,024 |
| Hedging reserve | **967** | (1,065) | (162) |
| Retained earnings | **23,653** | 18,144 | 18,788 |
| **Equity attributable to owners of the Group** | **38,204** | 16,008 | 32,055 |

# CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

| | Share capital £'000 | Share premium £'000 | Employee Benefit Trust reserve £'000 | Share-based payment reserve £'000 | Hedging reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|
| **As at 1 August 2021** | **223** | **14,334** | **(2,152)** | **1,024** | **(162)** | **18,788** | **32,055** |
| Profit for the period | - | - | - | - | - | 7,620 | 7,620 |
| Foreign currency retranslation | - | - | - | - | - | 2 | 2 |
| Cash flow hedging movement | - | - | - | - | 1,129 | - | 1,129 |
| Total comprehensive income for the period | - | - | - | - | 1,129 | 7,622 | 8,751 |
| *Transactions with shareholders:* | | | | | | | |
| Dividends payable (note 15) | - | - | - | - | - | (2,844) | (2,844) |
| Share-based payments charge (note 9) | - | - | - | 144 | - | - | 144 |
| Deferred tax on share-based payments | - | - | - | - | - | 98 | 98 |
| Transfer of reserve on exercise/ cancellation of share award | - | - | - | (69) | - | 69 | - |
| Sale of own shares by the Employee Benefit Trust | - | - | 80 | - | - | (80) | - |
| **As at 31 January 2022** | **223** | **14,334** | **(2,072)** | **1,099** | **967** | **23,653** | **38,204** |

| | Share capital £'000 | Share premium £'000 | Employee Benefit Trust reserve £'000 | Share-based payment reserve £'000 | Hedging reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|
| **As at 1 August 2020** | **205** | **2** | **(2,155)** | **796** | **(961)** | **15,527** | **13,414** |
| Profit for the period | - | - | - | - | - | 5,715 | 5,715 |
| Foreign currency retranslation | - | - | - | - | - | (9) | (9) |
| Cash flow hedging movement | - | - | - | - | (104) | - | (104) |
| Total comprehensive income for the period | - | - | - | - | (104) | 5,706 | 5,602 |
| *Transactions with shareholders:* | | | | | | | |
| Dividends payable (note 15) | - | - | - | - | - | (3,089) | (3,089) |
| Share-based payments charge (note 9) | - | - | - | 81 | - | | 81 |
| **As at 31 January 2021** | **205** | **5** | **(2,155)** | **877** | **(1,065)** | **18,144** | **16,008** |

| | Share capital £'000 | Share premium £'000 | Employee Benefit Trust reserve £'000 | Share-based payment reserve £'000 | Hedging reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|
| **As at 1 August 2020** | **205** | **2** | **(2,155)** | **796** | **(961)** | **15,527** | **13,414** |
| Profit for the period | - | - | - | - | - | 7,313 | 7,313 |
| Foreign currency retranslation | - | - | - | - | - | (13) | (13) |
| Cash flow hedging movement | - | - | - | - | 799 | - | 799 |
| Total comprehensive income for the period | - | - | - | - | 799 | 7,300 | 8,099 |
| *Transactions with shareholders:* | | | | | | | |
| Ordinary shares issued | 18 | 14,332 | - | - | - | - | 14,350 |
| Dividends payable (note 15) | - | - | - | - | - | (4,409) | (4,409) |
| Share-based payments charge (note 9) | - | - | - | 228 | - | - | 228 |
| Deferred tax on share-based payments | - | - | - | - | - | 370 | 370 |
| Sale of own shares by the Employee Benefit Trust | - | - | 3 | - | - | - | 3 |
| **As at 31 July 2021** | **223** | **14,334** | **(2,152)** | **1,024** | **(162)** | **18,788** | **32,055** |

# CONSOLIDATED CONDENSED
# CASH FLOW STATEMENT

| | 6 months ended 31 Jan 2022 (Unaudited) £'000 | 6 months ended 31 Jan 2021 (Unaudited) £'000 | Year ended 31 Jul 2021 (Audited) £'000 |
|---|---|---|---|
| **Net cash flow from operating activities** | | | |
| Profit for the period | **7,620** | 5,715 | 7,313 |
| **Adjustments for:** | | | |
| Finance costs | **361** | 277 | 518 |
| Income tax expense | **2,150** | 1,446 | 2,195 |
| Depreciation and impairment | **971** | 766 | 1,563 |
| Amortisation | **11** | 6 | 16 |
| Loss/(profit) on disposal of non-current assets | **6** | (3) | 44 |
| Movements in derivative financial instruments | **118** | (435) | (678) |
| Share-based payments | **144** | 81 | 228 |
| Income taxes paid | **(1,435)** | (1,269) | (2,566) |
| **Working capital adjustments** | | | |
| (Increase)/decrease in inventories | **(5,419)** | 247 | (368) |
| (Increase) in trade and other receivables | **(11,208)** | (5,326) | (8,091) |
| Increase in trade and other payables | **201** | 5,263 | 9,031 |
| Net cash (used in)/from operations | **(6,480)** | 6,768 | 9,205 |
| **Cash flows used in investing activities** | | | |
| Acquisition of subsidiary | **-** | - | (30,578) |
| Payment of deferred consideration | **(493)** | - | - |
| Purchase of intangible assets | **-** | (20) | (111) |
| Purchase of property, plant and equipment | **(636)** | (802) | (2,263) |
| Proceeds from sale of property, plant and equipment | **-** | 3 | 3 |
| **Net cash used in investing activities** | **(1,129)** | (819) | (32,949) |

| | 6 months ended 31 Jan 2022 (Unaudited) £'000 | 6 months ended 31 Jan 2021 (Unaudited) £'000 | Year ended 31 Jul 2021 (Audited) £'000 |
|---|---|---|---|
| **Cash flows used in financing activities** | | | |
| Purchase of own shares | **-** | - | 2 |
| Proceeds from borrowings | **12,493** | 221 | 16,048 |
| Repayment of borrowings | **(1,000)** | (225) | (1,144) |
| Principal paid on lease obligations | **(497)** | (334) | (713) |
| Proceeds from issue of new shares (net of costs) | **-** | - | 14,350 |
| Debt issue costs paid | **-** | (44) | (245) |
| Dividends paid | **(2,844)** | (3,089) | (4,409) |
| Interest paid | **(420)** | (179) | (335) |
| **Net cash from/(used in) finance activities** | **7,732** | (3,650) | 23,554 |
| **Net increase/(decrease) in cash and cash equivalents** | **123** | 2,299 | (190) |
| **Cash and cash equivalents brought forward** | **133** | 329 | 329 |
| Exchange gain/(losses) on cash and cash equivalents | **1** | (4) | (6) |
| **Cash and cash equivalents carried forward** | **257** | 2,624 | 133 |

# NOTES
## TO THE INTERIM RESULTS

### 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 the UK. The address of its registered office is UP Global Sourcing Holdings plc, Manor Mill, Victoria Street, Chadderton, Oldham OL9 0DD.

This consolidated condensed interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 July 2021 were approved by the Board of Directors on 1 November 2021 and delivered to the Registrar of Companies. The comparative figures for the financial year ended 31 July 2021 are an extract of the Company's statutory accounts for that year. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

This consolidated condensed interim financial information is unaudited but has been reviewed by the Company's Auditor.

### 2. Basis of Preparation

This consolidated condensed interim financial information for the six months ended 31 January 2022 has been prepared in accordance with IAS 34, 'Interim Financial Reporting', in accordance with UK adopted international accounting standards. The consolidated condensed interim financial information should be read in conjunction with the audited financial statements for the year ended 31 July 2021, which have been prepared in accordance with IFRSs as adopted by the European Union.

#### Going Concern Basis

The Directors have adopted the going concern basis in preparing this Interim Statement after assessing the resilience of the Group in severe but plausible scenarios, taking account of its current position and prospects, the principal risks facing the business, including those relating to COVID-19 and the conflict in Ukraine, how these are managed and the impact that they would have on the forecast financial position. In assessing whether the Group could withstand such negative impacts, the Board has considered cash flow, impact on debt covenants and headroom against its current borrowing facilities. The Group's projections, which cover the period to July 2024, 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 the Interim Statement.

### 3. Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 July 2021, except for the adoption of the following new standards, amendments and interpretations:

| Standard | Key Requirements |
|---|---|
| Amendments to IFRS 4 Insurance Contracts: Deferral of IFRS 9l | The Group adopted the amendments to IFRS 4 in respect of the deferral of IFRS 9 for the accounting period commencing 1 August 2021. |
| Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 | The Group adopted the amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 in respect of Interest Rate Benchmark Reform Phase 2 for the accounting period commencing 1 August 2021. |
| Amendments to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021 | The Group adopted the amendments to IFRS 16 Leases in respect of COVID-19-Related Rent Concessions beyond 30 June 2021 for the accounting period commencing 1 August 2021. |

The adoption of these standards, amendments and interpretations has not had a material impact on the Group.

### Critical Accounting Judgements

#### Leases – Determination of Lease Term

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

## 4. Operating Segments

Operating segments are reported in a manner 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 different to the core business. The information reported to the Directors, for the purposes of resource allocation and assessment of performance, is based wholly on 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 statement of comprehensive income and statement of financial position.

## 5. Principal Risks and Uncertainties

The Directors consider that the principal risks and uncertainties, which could have a material impact on the Group's performance in the remaining 6 months of the financial year, remain substantially the same as those stated on pages 21–24 of the Group's Annual Report for the year ended 31 July 2021, which is available on the Group's website, **www.upgs.com**.

## 6. Financial Instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk.

The condensed Interim Financial Statements should be read in conjunction with the Group's Annual Report for the year ended 31 July 2021, as they do not include all financial risk management information and disclosures contained within the Annual Report. There have been no changes in the risk management policies since the year-end.

# NOTES
## TO THE INTERIM RESULTS

### 7. Revenue

The Group has disaggregated revenue into various categories in the following tables which are intended to depict the nature of the Group's revenue including, where applicable, analysis of the revenue arising as a result of the Group's acquisition of Salter Brands Limited on 15 July 2021.

**Geographical Split by Location:**

| | 6 months ended 31 Jan 2022 | 6 months ended 31 Jan 2021 | Year ended 31 Jul 2021 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| United Kingdom | **56,718** | 51,738 | 92,916 |
| Germany | **11,771** | 7,403 | 13,882 |
| Rest of Europe | **14,866** | 15,032 | 27,720 |
| USA | **440** | 498 | 688 |
| Rest of the World | **1,951** | 711 | 1,161 |
| **Total** | **85,746** | 75,382 | 136,367 |
| | | | |
| **International sales** | **29,028** | 23,644 | 43,451 |
| **Percentage of total** | **33.9 %** | 31.4 % | 31.9 % |

**Analysis of Revenue by Brand:**

| | 6 months ended 31 Jan 2022 | 6 months ended 31 Jan 2021 | Year ended 31 Jul 2021 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Beldray | **23,892** | 21,541 | 42,374 |
| Salter (excluding revenue arising as a result of the Salter acquisition) | **17,701** | 16,618 | 28,274 |
| Salter (arising as a result of the Salter acquisition) | **8,396** | - | 105 |
| Russell Hobbs (licensed) | **13,371** | 8,860 | 16,840 |
| Progress | **3,865** | 3,994 | 6,683 |
| Intempo | **1,887** | 2,805 | 6,514 |
| Kleeneze | **1,266** | 959 | 2,136 |
| Premier brands | **70,378** | 54,777 | 102,926 |
| Other proprietorial brands | **7,267** | 10,096 | 17,842 |
| | **77,645** | 64,873 | 120,768 |
| Other brands and own label | **8,101** | 10,509 | 15,599 |
| **Total** | **85,746** | 75,382 | 136,367 |

### Analysis of Revenue by Major Products:

| | 6 months ended 31 Jan 2022 £'000 | 6 months ended 31 Jan 2021 £'000 | Year ended 31 Jul 2021 £'000 |
|---|---|---|---|
| Small domestic appliances | **31,915** | 28,693 | 48,715 |
| Housewares (excluding revenue arising as a result of the Salter acquisition) | **23,969** | 19,793 | 35,793 |
| Housewares (arising as a result of the Salter acquisition) | **8,396** | - | 105 |
| Laundry | **8,070** | 8,914 | 17,216 |
| Audio | **5,569** | 8,019 | 15,457 |
| Heating and cooling | **2,706** | 1,971 | 6,937 |
| Luggage | **395** | 1,296 | 2,053 |
| Others | **4,726** | 6,696 | 10,091 |
| Total | **85,746** | 75,382 | 136,367 |

### Analysis of Revenue by Strategic Pillar:

| | 6 months ended 31 Jan 2022 £'000 | 6 months ended 31 Jan 2021 £'000 | Year ended 31 Jul 2021 £'000 |
|---|---|---|---|
| Supermarkets | **31,835** | 21,432 | 38,914 |
| Discount retailers | **25,109** | 28,364 | 51,527 |
| Online channels | **12,835** | 11,794 | 20,590 |
| | **69,779** | 61,590 | 111,031 |
| Multiple-store retailers | **9,220** | 8,550 | 15,578 |
| Other | **6,747** | 5,242 | 9,758 |
| **Total** | **85,746** | 75,382 | 136,367 |

| | 6 months ended 31 Jan 2022 £'000 | 6 months ended 31 Jan 2021 £'000 | Year ended 31 Jul 2021 £'000 |
|---|---|---|---|
| **Excluding revenue arising as a result of the Salter acquisition** | | | |
| Supermarkets | **29,044** | 21,432 | 38,914 |
| Discount retailers | **24,778** | 28,364 | 51,527 |
| Online channels | **10,396** | 11,794 | 20,590 |
| | **64,218** | 61,590 | 111,031 |
| Multiple-store retailers | **7,655** | 8,550 | 15,576 |
| Other | **5,477** | 5,242 | 9,655 |
| **Total** | **77,350** | 75,382 | 136,262 |

# NOTES TO THE INTERIM RESULTS

| | 6 months ended 31 Jan 2022 £'000 | 6 months ended 31 Jan 2021 £'000 | Year ended 31 Jul 2021 £'000 |
|---|---|---|---|
| **Revenue arising as a result of the Salter acquisition** | | | |
| Supermarkets | **2,791** | - | - |
| Discount retailers | **331** | - | - |
| Online channels | **2,439** | - | - |
| | **5,561** | - | - |
| Multiple-store retailers | **1,565** | - | 2 |
| Other | **1,270** | - | 103 |
| **Total** | **8,396** | - | 105 |

Included in revenue are sales of £20,038,000 (six months ended 31 January 2021 – £23,627,000; year ended 31 July 2021 – £40,970,000) to the Group's largest two customers.

## 8. Seasonality of Operations

Overall, the Group's product range is not significantly seasonal, however, retail demand is higher in the Christmas trading period. As a result of this, it is anticipated that the operating profits for the second half of the year ending 31 July 2022 will be lower than those for the six months ended 31 January 2022.

## 9. Share-based Payment Charges and Other Non-Underlying Items

| | 6 months ended 31 Jan 2022 £'000 | 6 months ended 31 Jan 2021 £'000 | Year ended 31 Jul 2021 £'000 |
|---|---|---|---|
| Share-based payment expense | **144** | 81 | 228 |
| Coronavirus Job Retention Scheme repayment | **-** | 466 | 466 |
| Acquisition of Salter Brands Limited | **-** | - | 948 |
| **Total** | **144** | 547 | 1,642 |

The share-based payment expense relates to the non-cash charge arising on the Save as You Earn ('SAYE') schemes and the Performance Share Plans ('PSP') .

During the year ended 31 July 2020, the Group claimed £466,000 under the Government's Coronavirus Job Retention Scheme. The Group repaid this amount during the year ended 31 July 2021.

During the year ended 31 July 2021, legal and advisory costs of £948,000 were incurred in respect of the acquisition of Salter Brands Limited. These costs arose wholly as a result of the transaction and will not recur.

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

## 10. Operating Expenses

| | 6 months ended 31 Jan 2022 £'000 | 6 months ended 31 Jan 2021 £'000 | Year ended 31 Jul 2021 £'000 |
|---|---|---|---|
| The profit is stated after charging expenses as follows: | | | |
| Depreciation of owned property, plant and equipment | **558** | 380 | 791 |
| Depreciation of right of use assets | **413** | 386 | 772 |
| Amortisation | **11** | 6 | 16 |

EBITDA represents profit from operations before depreciation and amortisation. Underlying EBITDA represents EBITDA, as defined above, adjusted for the share-based payment charges and other non-underlying items set out in note 9 above. The Directors use EBITDA and underlying EBITDA as key performance indicators of the Group's business.

The following table sets forth a reconciliation of EBITDA and Underlying EBITDA to profits from operations for the periods indicated.

| | 6 months ended 31 Jan 2022 £'000 | 6 months ended 31 Jan 2021 £'000 | Year ended 31 Jul 2021 £'000 |
|---|---|---|---|
| Profit from operations | **10,131** | 7,438 | 10,026 |
| Depreciation | **971** | 766 | 1,563 |
| Amortisation | **11** | 6 | 16 |
| Loss/(gain) on disposal | **6** | (3) | 44 |
| EBITDA | **11,119** | 8,207 | 11,649 |
| Share-based payment charges and other non-underlying items - note 9 | **144** | 547 | 1,642 |
| **Underlying EBITDA** | **11,263** | 8,754 | 13,291 |
| **Underlying EBITDA margin** | **13.1 %** | 11.6 % | 9.7 % |

## 11. Finance Costs

| | 6 months ended 31 Jan 2022 £'000 | 6 months ended 31 Jan 2021 £'000 | Year ended 31 Jul 2021 £'000 |
|---|---|---|---|
| Interest on bank loans and overdrafts | **332** | 142 | 412 |
| Interest on lease liabilities | **35** | 44 | 82 |
| Foreign exchange in respect of lease liabilities (net of hedging actions) | **(4)** | (1) | (10) |
| Other interest payable and similar charges | **(2)** | 92 | 34 |
| Total | **361** | 277 | 518 |

# NOTES

## TO THE INTERIM RESULTS

### 12. Profit Before Taxation

The Directors also monitor the Group's performance with respect to profit before taxation and underlying profit before taxation. Underlying profit before taxation represents profit before taxation adjusted for the share-based payment charges and other non-underlying items set out in note 9 above.

The following table sets forth a reconciliation of profit before taxation and underlying profit before taxation for the periods indicated.

| | 6 months ended 31 Jan 2022 £'000 | 6 months ended 31 Jan 2021 £'000 | Year ended 31 Jul 2021 £'000 |
|---|---|---|---|
| Profit before taxation | **9,770** | 7,161 | 9,508 |
| Share-based payment charges and other non-underlying items - note 9 | **144** | 547 | 1,642 |
| Underlying profit before taxation | **9,914** | 7,708 | 11,150 |

### 13. Taxation

| | 6 months ended 31 Jan 2022 £'000 | 6 months ended 31 Jan 2021 £'000 | Year ended 31 Jul 2021 £'000 |
|---|---|---|---|
| Total tax expense | **2,150** | 1,446 | 2,195 |
| Tax on share-based payment charges and other non-underlying items | **(14)** | 228 | 228 |
| Tax expense on underlying profit before taxation | **2,136** | 1,674 | 2,423 |

The interim period tax charge is accrued based on the estimated average annual effective income tax rate of 22.0 % (six months ended 31 January 2021 – 20.2 %; year ended 31 July 2021 – 23.1 %).

The effective income tax rates on the underlying profit before taxation was 21.5 % (six months ended 31 January 2021 – 21.7 %; year ended 31 July 2021 – 21.7 %).

In the March 2021 Budget, it was announced that the main rate of Corporation Tax would increase to 25 % from 1 April 2023.

### 14. 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 on the following:

| | 6 months ended 31 Jan 2022 £'000 | 6 months ended 31 Jan 2021 £'000 | Year ended 31 Jul 2021 £'000 |
|---|---|---|---|
| Profit for the period | **7,620** | 5,715 | 7,313 |
| | **Number** | **Number** | **Number** |
| Weighted average number of shares in issue | **89,312,457** | 82,169,600 | 82,521,850 |
| Less shares held by the Employee Benefit Trust | **(3,978,691)** | (4,058,307) | (4,056,659) |
| Weighted average number of shares – basic | **85,333,766** | 78,111,293 | 78,465,191 |
| Dilutive share options | **4,159,769** | 1,538,434 | 2,039,490 |
| Weighted average number of shares – diluted | **89,493,535** | 79,649,727 | 80,504,681 |

| | Pence | Pence | Pence |
|---|---|---|---|
| Earnings per share - basic | **8.9** | 7.3 | 9.3 |
| Earnings per share - diluted | **8.5** | 7.2 | 9.1 |

The underlying earnings per share referred to below is based on the underlying profit for the period, which reflects the profit for the period after adding back the share-based payment charges and other non-underlying items set out in note 9 and the tax effects as set out in note 13, divided by the weighted average number of shares in issue for the period.

| | 6 months ended 31 Jan 2022 £'000 | 6 months ended 31 Jan 2021 £'000 | Year ended 31 Jul 2021 £'000 |
|---|---|---|---|
| Underlying profit before taxation – note 12 | **9,914** | 7,708 | 11,150 |
| Taxation on underlying profit before taxation – note 13 | **(2,136)** | (1,674) | (2,423) |
| Underlying profit for the period | **7,778** | 6,034 | 8,727 |
| | **Number** | **Number** | **Number** |
| Weighted average number of shares – underlying | **89,312,457** | 82,169,600 | 82,521,850 |

| | Pence | Pence | Pence |
|---|---|---|---|
| Underlying profit per share | **8.7** | 7.3 | 10.6 |

# NOTES
## TO THE INTERIM RESULTS

### 15. Dividends

| | 6 months ended 31 Jan 2022 | 6 months ended 31 Jan 2021 | Year ended 31 Jul 2021 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Interim dividend paid in respect of the previous year | - | 906 | 906 |
| Final dividend paid in respect of the previous year | **2,844** | 2,183 | 2,183 |
| Interim declared and paid | - | - | 1,320 |
| | **2,844** | 3,089 | 4,409 |

| Per Share | Pence | Pence | Pence |
|---|---|---|---|
| Interim dividend paid in respect of the previous year | - | 1.160 | 1.160 |
| Final dividend paid in respect of the previous year | **3.330** | 2.795 | 2.795 |
| Interim declared and paid | - | - | 1.690 |
| | **3.330** | 3.955 | 5.645 |

A final dividend of 3.33 p per share in respect of the year ended 31 July 2021 was approved by the Board on 10 December 2021 and was paid during the 6 months ended 31 January 2022.

An interim dividend of 2.3 p per share was approved by the Board on 28 April 2022 and will be paid on 29 July 2022 to shareholders on record as at 8 July 2022.

### 16. Goodwill and Intangibles

#### Goodwill

| | As at 31 Jan 2022 | As at 31 Jan 2021 | As at 31 Jul 2021 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Opening net book value | **9,676** | - | - |
| Business combinations | - | - | 9,676 |
| Closing net book value | **9,676** | - | 9,676 |

#### Intangibles

| | As at 31 Jan 2022 | As at 31 Jan 2021 | As at 31 Jul 2021 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Opening net book value | **27,253** | 86 | 86 |
| Business combinations | - | - | 27,072 |
| Additions | - | 20 | 111 |
| Amortisation | **(11)** | (6) | (16) |
| Closing net book value | **27,242** | 100 | 27,253 |

As described in note 18 of the Group's Annual Report for the year ended 31 July 2021, goodwill of £9,676,000 and an intangible asset of £27,072,000 arose on the acquisition of Salter Brands Limited on 15 July 2021. 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 results of impairment testing indicate there is no impairment required.

## 17. Property, Plant and Equipment

| | As at 31 Jan 2022 £'000 | As at 31 Jan 2021 £'000 | As at 31 Jul 2021 £'000 |
|---|---|---|---|
| Opening net book value | **5,719** | 5,065 | 5,065 |
| Additions | **772** | 802 | 2,263 |
| Lease modifications | **149** | - | - |
| Disposals | **(6)** | - | (46) |
| Depreciation | **(971)** | (766) | (1,563) |
| Closing net book value | **5,663** | 5,101 | 5,719 |

Included within the above are right of use assets as follows:

### Right of use assets

| | As at 31 Jan 2022 £'000 | As at 31 Jan 2021 £'000 | As at 31 Jul 2021 £'000 |
|---|---|---|---|
| Opening net book value | **2,477** | 3,249 | 3,249 |
| Additions | **136** | - | - |
| Lease modifications | **149** | - | - |
| Disposals | **(6)** | - | - |
| Depreciation | **(413)** | (386) | (772) |
| Closing net book value | **2,343** | 2,863 | 2,477 |

## 18. Trade and Other Receivables

| | As at 31 Jan 2022 £'000 | As at 31 Jan 2021 £'000 | As at 31 Jul 2021 £'000 |
|---|---|---|---|
| Trade payables | **36,656** | 22,736 | 25,372 |
| Other receivables and prepayments | **1,097** | 1,084 | 1,172 |
| | **37,753** | 23,820 | 26,544 |

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

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date.

# NOTES
## TO THE INTERIM RESULTS

### 19. Trade and Other Payables

| | As at 31 Jan 2022 £'000 | As at 31 Jan 2021 £'000 | As at 31 Jul 2021 £'000 |
|---|---|---|---|
| Trade payables | **19,259** | 12,376 | 19,293 |
| Accruals | **7,737** | 8,810 | 8,628 |
| Other taxes and social security | **2,690** | 1,699 | 1,530 |
| | **29,686** | 22,885 | 29,451 |

Trade payables principally consist of amounts outstanding for trade payables and ongoing costs. They are non-interest bearing and are normally 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 both Sterling, US Dollars, Euros and Polish Zloty. 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.

### 20. Borrowings

| | As at 31 Jan 2022 £'000 | As at 31 Jan 2021 £'000 | As at 31 Jul 2021 £'000 |
|---|---|---|---|
| **Current** | | | |
| Invoice discounting | **11,053** | - | 3,290 |
| Import loans | **7,128** | 4,124 | 2,759 |
| Term loan | **2,000** | - | 2,000 |
| | **20,181** | 4,124 | 8,049 |
| Less: Unamortised debt issue cost | **(90)** | (112) | (98) |
| | **20,091** | 4,012 | 7,951 |
| **Non-current** | | | |
| Revolving credit facility | **3,343** | - | 2,983 |
| Term loan | **7,000** | - | 8,000 |
| | **10,343** | - | 10,983 |
| Less: Unamortised debt issue cost | **(104)** | - | (136) |
| | **10,239** | - | 10,847 |
| Total borrowings | **30,330** | 4,012 | 18,798 |

| | As at 31 Jan 2022 £'000 | As at 31 Jan 2021 £'000 | As at 31 Jul 2021 £'000 |
|---|---|---|---|
| **The earliest that lenders of the above borrowings require repayment is as follows:** | | | |
| In less than one year | **20,181** | 4,124 | 8,049 |
| Between one and two years | **2,000** | - | 2,000 |
| Between two and five years | **8,343** | - | 8,983 |
| Less: Unamortised debt issue cost | **(194)** | (112) | (234) |
| | **30,330** | 4,012 | 18,798 |

The Group is funded by external bank facilities provided by HSBC comprising a revolving credit facility of £8.2 m, an invoice discounting facility of £23.5 m and a term loan of £9 m, all running to 2024, along with an import loan facility of £8.7 m which is subject to annual review.

## 21. Lease Liabilities

The Group's lease portfolio comprises its principal properties along with certain other fixtures, fittings and equipment.

The following tables show the discounted lease liabilities included in the Group balance sheet and a maturity analysis of the contractual undiscounted lease payments:

| | As at 31 Jan 2022 £'000 | As at 31 Jan 2021 £'000 | As at 31 Jul 2021 £'000 |
|---|---|---|---|
| Lease liabilities less than one year | **849** | 774 | 771 |
| Lease liabilities greater than one year | **1,758** | 2,428 | 2,030 |
| | **2,607** | 3,202 | 2,801 |

### Maturity analysis – contractual undiscounted lease payments

| | As at 31 Jan 2022 £'000 | As at 31 Jan 2021 £'000 | As at 31 Jul 2021 £'000 |
|---|---|---|---|
| Within one year | **898** | 841 | 834 |
| Greater than one year but less than two years | **606** | 827 | 804 |
| Greater than two years but less than five years | **620** | 937 | 635 |
| Greater than five years but less than ten years | **745** | 840 | 750 |
| | **2,869** | 3,445 | 3,023 |

## 22. Financial Instruments

### a) Principal financial instruments

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

| | As at 31 Jan 2022 £'000 | As at 31 Jan 2021 £'000 | As at 31 Jul 2021 £'000 |
|---|---|---|---|
| Trade receivables | **36,656** | 22,736 | 25,372 |
| Derivative financial instruments - assets | **1,327** | 117 | 384 |
| Trade and other payables | **(26,966)** | (21,186) | (27,921) |
| Derivative financial instruments - liabilities | **-** | (1,079) | (220) |
| Borrowings | **(30,330)** | (4,012) | (18,798) |
| Lease liabilities | **(2,607)** | (3,202) | (2,801) |
| Deferred consideration | **(1,481)** | - | (1,973) |
| Cash and cash equivalents | **257** | (2,624) | 133 |

### b) Financial assets

The Group held the following financial assets at amortised cost:

| | As at 31 Jan 2022 £'000 | As at 31 Jan 2021 £'000 | As at 31 Jul 2021 £'000 |
|---|---|---|---|
| Cash and cash equivalents | **257** | 2,624 | 133 |
| Trade receivables | **37,583** | 22,736 | 25,372 |
| | **34,840** | 25,360 | 25,505 |

### c) Financial liabilities

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

| | As at 31 Jan 2022 £'000 | As at 31 Jan 2021 £'000 | As at 31 Jul 2021 £'000 |
|---|---|---|---|
| Trade payables | **19,259** | 12,376 | 19,293 |
| Borrowings | **30,330** | 4,012 | 18,798 |
| Lease liabilities | **2,607** | 3,202 | 2,801 |
| Other payables | **7,737** | 8,810 | 8,628 |
| Deferred consideration | **1,481** | - | 1,973 |
| | **61,414** | 28,400 | 51,493 |

### d) Derivative financial instruments

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

| | As at 31 Jan 2022 £'000 | As at 31 Jan 2021 £'000 | As at 31 Jul 2021 £'000 |
|---|---|---|---|
| Forward currency contracts | **1,024** | (1,001) | 97 |
| Interest rate swaps | **155** | 12 | 47 |
| Interest rate caps | **148** | 27 | 20 |
| | **1,327** | (962) | 164 |

The following is a reconciliation of the financial instruments to the statement of financial position:

| | As at 31 Jan 2022 £'000 | As at 31 Jan 2021 £'000 | As at 31 Jul 2021 £'000 |
|---|---|---|---|
| Trade receivables | **36,656** | 22,736 | 25,372 |
| Prepayments and other receivables not classified as financial instruments | **1,097** | 1,084 | 1,172 |
| Trade and other receivables (note 18) | **37,753** | 23,820 | 26,544 |

| | As at 31 Jan 2022 £'000 | As at 31 Jan 2021 £'000 | As at 31 Jul 2021 £'000 |
|---|---|---|---|
| Trade and other payables | **26,996** | 21,186 | 27,921 |
| Other taxes and social security not classified as financial instruments | **2,690** | 1,699 | 1,530 |
| Trade and other payables (note 19) | **29,686** | 22,885 | 29,451 |

### Derivative financial instruments – Forward contracts

The Group mitigates the exchange rate risk for certain foreign currency trade debtors and creditors by entering into forward currency contracts. At 31 January 2022, the Group was committed to buy US$57,825,000, to sell €19,350,000, to buy CNY 3,430,000, to sell CA$nil and to sell PLN300,000, paying and receiving respectively a fixed sterling amount (31 January 2021 – to buy US$43,350,000, to sell €23,025,000, to buy CNY 5,315,000, to sell CA$235,000 and to sell PLNnil; 31 July 2021 – to buy US$54,875,000, to sell €23,575,000, to buy CNY 4,400,000, to sell CA$140,000 and to sell PLN2,800,000). At 31 January 2022, all the outstanding USD, EUR and PLN contracts mature within 12 months of the period end (31 January 2021 – 12 months; 31 July 2021 – 12 months). The CNY currency 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:CNY and GBP:PLN. The fair value of the contracts at 31 January 2022 is an asset of £1,024,000 (31 January 2021 – £999,000 liability; 31 July 2021 – £97,000 asset).

# NOTES TO THE INTERIM RESULTS

Forward currency contracts are valued using level 2 inputs. The valuations are calculated using the period end exchange 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 on the changes in the future cash flows, based on 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 of the financial statements for the year ended 31 July 2021.

### Derivative financial instruments – Interest rate swaps and interest rate caps

The Group has entered into interest rate swaps and interest rate caps to protect the exposure to interest rate movements on the various elements of the Group's banking facility. As at 31 January 2022, protection was in place over an aggregate principal of £17,700,000 (31 January 2021 – £13,560,000, 31 July 2021 – £15,600,000).

All of the interest rate swaps meet the conditions for hedge accounting, as set out in the accounting policies contained in the financial statements for the year ended 31 July 2021.

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

## 23. Related Party Transactions

| | 6 months ended 31 Jan 2022 £'000 | 6 months ended 31 Jan 2021 £'000 | Year ended 31 Jul 2021 £'000 |
|---|---|---|---|
| **Transactions with related companies and businesses:** | | | |
| Lease payments to Heron Mill Limited | **240** | 143 | 285 |
| Lease payments to Berbar Properties Limited | **90** | 45 | 135 |

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that these consolidated condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, in accordance with UK adopted international accounting standards. The interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The Directors of UP Global Sourcing Holdings plc are listed on pages 44 to 46 of the Group's Annual Report for the year ended 31 July 2021, which is available on the Group's website, **www.upgs.com**.

For and on behalf of the Board of Directors

Andrew Gossage
Managing Director
28 April 2022

Graham Screawn
Chief Financial Officer
28 April 2022


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