

29 March 2023



UP Global Sourcing Holdings plc

("Ultimate Products", the "Company" or the "Group")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2023

FY23 outlook in line with current market expectations*

Ultimate Products, the owner of a number of leading homeware brands including Salter (the UK's oldest homeware brand, est.1760) and Beldray (est.1872), announces its interim results for the six months ended 31 January 2023.

Financial highlights

- Total revenue up 2% to £87.6m (H1 2022: £85.7m), achieved with no overall price inflation to keep our products at prices which are affordable to all consumers
 - Online revenue up 78% to £22.9m (H1 2022: £12.8m), supported by continued normalisation of global supply chains
 - Sales to retailers down 11% to £64.7m (H1 2022: £72.9m), hampered by caution in forward ordering arising from post-COVID overstocks amongst retailers
- Gross profit rose 3% to £21.6m (H1 2022: £20.9m), with gross margin increasing to 24.7% (H1 2022: 24.4%), driven by online sales growth
- Adjusted EBITDA** resilient at £11.2m (H1 2022: £11.2m)
- Statutory profit before tax down 5% to £9.3m (H1 2022: £9.8m), impacted by higher interest rates and the Group's Head Office investment increasing the depreciation charge
- Adjusted profit before tax** down 5% to £9.4m (H1 2022: £9.9m)
- Statutory EPS down 6% to 8.4p (H1 2022: 8.9p), with Adjusted EPS** down 5% to 8.6p (H1 2022: 9.1p)
- Interim dividend per share up 6% to 2.43p (H1 2022: 2.30p)
- Improved net bank debt/adjusted EBITDA** ratio of 1.0x (31 July 2022: 1.3x)
- Strong cash generation from operating activities of £12.8m (H1 2022: used cash of £5.0m), representing a 114% operating cash conversion
- Performance for FY23 anticipated to be in line with current market expectations

** Consensus market expectations for the financial year ending 31 July 2023 are revenues of £165.3m (actual FY22: £154.2m), adjusted EBITDA of £20.1m (actual FY22: £18.8m) and adjusted EPS of 14.8p (actual FY22: 14.3p)*

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

Operational highlights

- Appointment of first dedicated Brand Director
- Successful relaunch of Petra, the German kitchen electrical brand, into the German market
- Renewal of the Group's Russell Hobbs licencing agreement on a rolling four-year basis
- Launch of the Group's inaugural ESG Strategy
- Investment in robotics yielding positive results, with hundreds of tasks now automated
- Highly productive attendance at Ambiente, the largest European Trade Fair, in Germany
- Beginning our journey to diversify our supply chain

Current trading and outlook

The Board anticipates full-year performance for FY23 will be in line with current market expectations, with H2 performance benefiting from significant growth in our online channel which is less seasonal. The Group is well

placed to respond to the challenges of the current cost of living crisis given its relentless focus on delivering value and growth.

Commenting on the results, Simon Showman, Chief Executive of Ultimate Products, said:

"We have delivered a robust performance, with exceptional growth from online, amidst a tough trading environment. Our amazing team has built a resilient and scalable business, based on a strong portfolio of homeware brands with a wide range of products and channels to market.

The business has been tested by some of the toughest trading conditions and headwinds seen in recent times, but we are emerging stronger, more focused and more profitable than ever. This resilience puts us in a strong position to accelerate our growth as the macroeconomic uncertainty starts to clear. We therefore remain confident in the future prospects for Ultimate Products."

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Notes to Editors

Ultimate Products is the owner of a number of leading homeware brands including Salter (the UK's oldest houseware brand, established in 1760) and Beldray (a laundry, floor care, heating and cooling brand that was established in 1872). According to its market research, nearly 80% of UK households own at least one of the Group's products.

Ultimate Products sells to over 300 retailers across more than 40 countries, and specialises in five product categories: Small Domestic Appliances; Housewares; Laundry; Audio; and Heating and Cooling. Other brands include Progress (cookware and bakeware), Kleeneze (laundry and floorcare), Petra (small domestic appliances) and Intempo (audio).

The Group's products are sold to a broad cross-section of both large national and international multi-channel retailers as well as smaller national retail chains, incorporating discount retailers, supermarkets, general retailers and online retailers.

Founded in 1997, Ultimate Products employs over 370 staff, a significant number of whom have joined via the Group's graduate development scheme, and is headquartered in Oldham, Greater Manchester, where it has design, sales, marketing, buying, quality assurance, support functions and warehouse facilities across two sites. Manor Mill, the Group's head office, includes a spectacular 20,000 sq ft showroom that showcases each of its brands. In addition, the Group has an office and showroom in Guangzhou, China and in Cologne, Germany.

Please note that Ultimate Products is not the owner of Russell Hobbs. The company currently has licence agreements in place granting it an exclusive licence to use the "Russell Hobbs" trademark for cookware (NB this does not include Russell Hobbs electrical appliances).

For further information, please visit www.upgs.com

BUSINESS REVIEW

We are pleased to present the Interim Report for the six months ended 31 January 2023, a period in which, against an uncertain and highly challenging macro-economic environment, we have continued to invest in our strategic plans.

Brand Development

Our purpose is to provide beautiful and more sustainable products for every home, and our vision is to be the Home of Brands. We have, over the past five years, developed our portfolio of consumer goods brands to become true leaders in their respective categories. We are privileged to own Salter, the UK's oldest housewares brand, established in 1760, and Beldray, established in 1872. We have seen the highly successful relaunch of Petra, the German kitchen electrical brand, with sales surpassing £2m during the period. As demonstrated by the recent successes of Beldray, Progress and Kleeneze, we have a tried and tested approach to reinvigorating and growing our heritage brands, of which Petra is just the latest, and most international, example.

In addition, we have renewed our trademark licence agreement with Spectrum Brands, which grants us an exclusive licence to use the "Russell Hobbs" trademark 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, which was due to end in March 2023. This change significantly reduces the licencing risk, as the licence will always have four years to run, rather than having a fixed end date. It also allows us to better focus on the long-term growth of the Russell Hobbs brand, which will increase the benefits of the partnership for both Spectrum Brands and Ultimate Products.

Finally, we were delighted to appoint Tracy Carroll to the newly created role of Brand Director. Tracy joined from Helen of Troy, an American designer and marketer of consumer brands, where she served as Associate Marketing Director, and was responsible for launching and growing the OXO homeware brand in the UK. This appointment will help us refine and focus the development of our portfolio of brands, and her previous experience is already proving invaluable as we expand our outstanding stable of homeware brands across new geographies and channels.

The brand journey that we have been on has seen us pivot from a licence holder to a brand owner, and this gives the business a resilient core from which we can expand and grow. Combined with our renewed focus on marketing, we will now be able to fully realise the sales potential of all of our brands in line with our purpose of providing beautiful and more sustainable products for every home.

Customer Diversification

As a business we continue to diversify our customer base to mitigate risk and increase the predictability of our sales. In the current period we have seen the benefits of this strategy in full effect. During a period of significant uncertainty around consumer sentiment, Group revenues increased 2% to £87.6m (H1 2022: £85.7m) achieved with no overall price inflation to keep our products at prices which are accessible to all consumers. Online channels were the main driver of revenue growth, supported by buoyant consumer demand for energy efficient and money saving products. In the first half of the prior year, amidst a period of significant supply constraints, we made the strategic decision to prioritise orders made by our retail partners, meaning that sales through our online channels were necessarily constrained. Pleasingly, the continued normalisation of global supply chains has now enabled us to fully service, and continue to grow, our online channels, which still represent a relatively nascent part of our diverse customer base.

Our online growth has more than offset the current comparative weakness we have seen in other areas. Retail customers have been understandably cautious in the size of forward orders, given the current macroeconomic environment and high stock levels carried over from the pandemic. Although sales to retail customers fell by 11% during the period, we see reason to be optimistic in the medium term, with the levels of overstocking that retailers experienced following the COVID-19 pandemic showing signs of subsiding.

ESG Strategy Launch

Doing the right thing has always been at the core of everything that we do. As Ultimate Products continues to grow, we are acutely aware that our efforts and ambitions should be underpinned by a clear sense of responsibility and purpose. We have therefore developed a comprehensive ESG strategy which covers

everything from our purpose of developing products for the home, educating consumers, investing in our colleagues, and supporting those that need it most within our local communities. This strategy will be at the heart of everything that we do, and ensures that our efforts and ambitions have a clear sense of direction to unite our colleagues and supply partners across the globe. We are cognisant of the impact that our business has on the world in which we operate, and we know that, to ensure long-term success, we must play our part in becoming a more sustainable business.

We also recognise that our retail partners need our help to achieve their own ESG ambitions, particularly within the environmental pillar, where actions often involve immense scale and complexity. We have always had to manage supply chain intricacy seamlessly and efficiently. We are therefore working to ensure that the necessary infrastructure is in place to support our retail partners in going that extra mile, while continuing to provide them with an outstanding service. Being an ESG front runner is not only the right thing to do, but will also enhance our competitive and commercial position.

Finally, we also recognise that an integral part of our long-term sustainability is the diversification of our supply chain. Over the next phase of our business development, we will look to diversify our supply lines away from their relatively narrow geographical concentration in China. As part of this journey we have appointed a member of our Operating Board to head up the inevitably painstaking task of sourcing new factories around the world which can meet the high standards of both the Group and its customers, but also support our key purpose of providing beautiful and more sustainable products for every home.

Robotics Process Automation

While our purpose is to provide beautiful and more sustainable products for every home, a key contributor to our success has been consistently providing the best service to our customers. Whether this is through mitigating supply chain disruption by ensuring that their orders are prioritised, or through helping them achieve their ESG ambitions, we insist on going the extra mile for our retail customers. Owing to the level of complexity involved, our position in the supply chain is not easily replicated, and this represents a significant barrier to entry. We are relentless in developing our systems and, in recent years, have established an intense company focus on driving productivity through automation. During the current year we have embarked on the automation of hundreds of tasks within the business. This is best characterised as a bottom-up approach by which our teams will come to us with problems, which our process development team will then solve. This demand-driven approach has allowed us to concentrate our efforts on the tasks that cause the most friction within our business. Solving them with automation increases productivity and improves accuracy, resulting in enhanced operating margins, an even better customer experience, and an engaged workforce.

Performance

	H1 2023 £'000	H1 2022 £'000	Change £'000	Change %
Revenue	87,606	85,746	1,860	2%
Cost of sales	(65,976)	(64,845)	(1,131)	2%
Gross profit	21,630	20,901	729	3%
Administrative expenses	(10,397)	(9,669)	(728)	8%
Adjusted EBITDA	11,233	11,232	1	0%
Depreciation & amortisation	(1,136)	(957)	(179)	19%
Finance expense	(711)	(361)	(350)	97%
Adjusted profit before tax	9,386	9,914	(528)	-5%
Tax expense	(2,007)	(2,177)	170	-8%
Adjusted profit after tax	7,379	7,737	(358)	-5%
Share-based payment expense	(128)	(144)	16	-11%
Tax on adjusting items	29	27	2	7%
Statutory profit after tax	7,280	7,620	(340)	-4%

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

Revenue

Group revenue has increased by 2% to £87.6m in the period (H1 2022: £85.7m). Due to our ongoing focus on

sourcing the best products at the best price for our customers and consumers, prices have followed their long-term trend with no price inflation contributing to our top line growth. Online channels were the main driver of this growth, supported by the continued normalisation of global supply chains. In addition, consumer demand for energy efficient and money saving products has remained buoyant across all channels throughout the period. This has meant that Salter products, alongside our overall small domestic appliance offering (which includes air fryers), have proved especially popular in the period.

International

International revenue decreased in the period to £25.0m (H1 2022: £29.0m), as a result of continued overstocking by discounters, and the demand for energy efficient and money saving products being weighted towards the UK. This performance reverses some of the strong growth we have seen, especially in Germany, which remains our largest overseas market. However, the period has seen the successful relaunch of Petra, with sales surpassing £2m in the period. We continue to see the European market as a key area for long-term growth for the business, as was shown by our investment in attending Ambiente, Europe's largest housewares show, where we exhibited our high-quality, branded homeware products to some of Europe's biggest retailers. Our products were very well received, and the event remains an important part of growing brand awareness in the strategically important European market.

Supermarkets

Although supermarkets continue to be our largest sales channel, and account for 32% of Group revenue (FY22: 33%), sales from this channel decreased in the period to £28.1m (H1 2022: £31.8m). Our supermarket customers have been more cautious in their forward ordering during the cost-of-living crisis as consumers have allocated a greater proportion of their basket spend on food which has seen significant price inflation, rather than general merchandise. Many supermarkets were also overstocked, a trend that occurred following the COVID-19 pandemic and which is now showing signs of subsiding.

Online Platforms

Online sales have grown rapidly in the period. Revenue grew by 78% to £22.9m (H1 2022: £12.8m). As previously noted, our online business was adversely affected in H1 2022 by the tighter stock availability caused by the disruption to shipping, which led to a decline in revenue of 13%. This temporary setback was reversed when availability recovered. Strong online momentum, driven by consumer demand for energy-efficient and money-saving products, has seen our online channel make up 26% of revenue in the period (H1 2022: 15%). This represents a significant step towards our target of 30% of overall revenue coming from online over the medium term. While most of our online revenue will always come from transactions made through third party platforms such as Amazon, our Salter.com and Beldray.com websites contributed a respectable £0.8m of revenue during the period. In addition to providing an additional avenue for growth, our websites help to facilitate a more direct relationship between our brands and their consumers, giving us more direct insights into their behaviour.

Discounters

Sales to discounters fell by 16% to £21.1m (H1 2022: £25.1m). The performance of this channel has been driven by general post-COVID overstocking, which caused some discounters to moderate their ordering as they attempted to clear down their stocks. In the UK, the situation has begun to correct, and more normal patterns of order placing have now recommenced. As the cost-of-living crisis continues to affect consumers, we expect that there will be increased opportunities with discounters.

Operating Margins

Gross margin increased to 24.7% (H1 2022: 24.4%) as our sales growth was driven by higher-margin online sales. At the end of the period, we began to benefit from the fall in freight rates, which has helped to mitigate the weakness that we have seen in the value of Sterling. The increase in gross margin means that gross profit rose 3% to £21.6m (H1 2022: £20.9m).

Administrative expenses rose 8% to £10.4m (H1 2022: £9.7m). Although we have seen relatively low levels of inflationary pressure on our cost of sales, and hence on revenues, we have seen cost pressure in our operating costs. Our wage bill, which makes up 70% of our administrative expenses, rose by 6% in the period, as we increased salaries for our people to help mitigate the effects of the cost-of-living crisis. This is consistent with our intention to always do the right thing and to invest in our people.

For the first time in three years, we have also been able to invest in attendance at Ambiente, Europe’s largest housewares show, which enabled us to exhibit our range of quality branded houseware products to new customers, consumers and suppliers, as we continue to grow brand awareness in the strategically important European market.

The combination of robust revenues, improved gross margin, and slightly higher overheads has led to a stable adjusted EBITDA at £11.2m (H1 2022: £11.2m).

Seasonality

The Group has a seasonality towards H1, with retail demand being higher in the peak Christmas trading period. However, in the current year, this pattern is expected to be less pronounced, with sales growth weighted towards the less seasonal online channels. As a result, it is anticipated that the operating profits for the second half of the year to 31 July 2023 will be only marginally lower than for the six months ended 31 January 2023.

Adjusted & statutory profit

Depreciation and amortisation increased 19% to £1.1m (H1 2022: £1.0m) as a result of the increase in the depreciation charge following from our investment in solar panels at our Manor Mill head office during the summer of 2022.

The finance charge has increased £0.3m to £0.7m (H1 2022: £0.4m) due to the higher level of interest rates. The Group has benefitted from the hedging instruments it entered into when interest rates were at historically low levels. These instruments cover an aggregate principle of £18.3m, and are a mix of swaps and caps. These instruments have successfully limited the effect of higher interest rates.

The tax charge for the period at 21% (H1 2022: 22%) 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 decreased by 4% to £7.3m (H1 2022: £7.6m).

Earnings per share

Although we have not issued any new shares within the year, the number of shares held in our Employee Benefit Trust has reduced following the successful vesting of employee share options schemes. This has resulted in the weighted average number of shares increasing 1% to 86,234,633 (31 January 2022: 85,333,766).

	H1 2023 £'000	EPS p	H1 2022 £'000	EPS p
Adjusted profit after tax / Adjusted EPS	7,379	8.56	7,737	9.07
Share-based payment expense	(128)	(0.15)	(144)	(0.17)
Tax on adjusting items	29	0.03	27	0.03
Statutory profit after tax / Basic EPS	7,280	8.44	7,620	8.93

As a result, whilst adjusted profit after tax decreased by 5% to £7.4m (H1 2022: £7.7m), adjusted earnings per share decreased by 6% to 8.56p (H1 2022: 9.07p).

Financing and cash flow

The Group generated cash from operating activities of £12.8m (H1 2022: used cash of £5.0m), being a 114% operating cash conversion. This was significantly stronger than the previous period when the Group needed to invest in working capital due to the supply chain crisis during CY 2021. This meant that at the period end the Group had a net bank debt/adjusted EBITDA ratio of 1.0x (31 July 2022: 1.3x), which represents net bank debt of £19.4m (31 July 2022: £24.3m). The Group maintains comfortable levels of headroom within its bank facilities, with headroom at 31 January 2023 of £22.4m (31 July 2022: £17.8m). The Group makes use of term loans 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.

	31 January 2023 £'000	31 January 2022 £'000	Change £'000	Change %
Cash	5,004	257	4,747	1847%
RCF/Overdraft	(7,097)	(3,343)	(3,754)	112%
Invoice Discounting	(3,465)	(11,053)	7,588	-69%
Import Loans	(6,970)	(7,128)	158	-2%
Term loan	(7,000)	(9,000)	2,000	-22%
Debt Issue Costs	140	194	(54)	-28%
Net bank debt	(19,388)	(30,073)	10,685	-36%

Dividend

In line with our established dividend policy of distributing 50% of the Group's adjusted profit after tax, an interim dividend of 2.43 pence per share (H1 2022: 2.30 pence per share) was approved by the Board on 28 March 2023 and will be paid on 30 June 2023 to shareholders on record as at 2 June 2023 (ex-dividend date being 1 June 2023).

Simon Showman

Chief Executive Officer

James McCarthy

Chairman

Consolidated Income Statement

	Unaudited 6 months ended 31 January 2023 £'000	Unaudited 6 months ended 31 January 2022 £'000	Audited year ended 31 July 2022 £'000
Revenue	87,606	85,746	154,191
Cost of sales	(65,976)	(64,845)	(115,837)
Gross profit	21,630	20,901	38,354
Adjusted earnings before interest, tax, depreciation, amortisation, share-based payments & non-recurring items	11,233	11,232	18,750
Depreciation	(1,125)	(946)	(2,044)
Amortisation of intangibles	(11)	(11)	(22)
Share-based payment expense	(128)	(144)	(403)
Total administrative expenses	(11,661)	(10,770)	(22,073)
Operating profit	9,969	10,131	16,281
Finance expense	(711)	(361)	(842)
Profit before tax	9,258	9,770	15,439
Tax expense	(1,978)	(2,150)	(3,069)
Profit for the year attributable to equity holders of the Company	7,280	7,620	12,370
All amounts relate to continuing operations			
Earnings per share			
Basic	8.4	8.9	14.3
Diluted	8.3	8.5	13.9

Consolidated Statement of Comprehensive Income

	Unaudited 6 months ended 31 January 2023 £'000	Unaudited 6 months ended 31 January 2022 £'000	Audited year ended 31 July 2022 £'000
Profit for the period	7,280	7,620	12,370
<i>Items that may subsequently be reclassified to the income statement</i>			
Fair value movements on cash flow hedging instruments	(1,645)	1,011	3,239
Hedging instruments recycled through the income statement at the end of hedging relationships	(1,572)	118	162
<i>Items that will not subsequently be reclassified to the income statement</i>			
Foreign current translation	-	2	11
Other comprehensive income	(3,217)	1,131	3,412
Total comprehensive income for the period attributable to the equity holders of the Company	4,063	8,751	15,782

Consolidated Statement of Financial Position

	Unaudited As at 31 January 2023 £'000	Unaudited As at 31 January 2022 £'000	Audited As at 31 July 2022 £'000
Assets			
Intangible assets	37,014	36,918	37,025
Property, plant and equipment	5,606	5,663	6,369
Total non-current assets	42,620	42,581	43,394
Inventories	27,290	27,093	29,162
Trade and other receivables	34,323	37,753	32,194
Derivative financial instruments	913	1,327	4,142
Cash and cash equivalents	5,004	257	6,202
Total current assets	67,530	66,430	71,700
Total assets	110,150	109,011	115,094
Liabilities			
Trade and other payables	(31,376)	(29,686)	(29,644)
Derivative financial instruments	(673)	-	-
Current tax	(705)	(648)	(170)
Borrowings	(12,934)	(20,091)	(22,314)
Lease liabilities	(636)	(849)	(817)
Deferred consideration	(494)	(987)	(987)
Total current liabilities	(46,818)	(52,261)	(53,932)
Net current assets	20,712	14,169	17,768
Borrowings	(11,458)	(10,239)	(8,144)
Deferred tax	(6,928)	(6,055)	(7,585)
Deferred consideration	-	(494)	-
Lease liabilities	(1,717)	(1,758)	(1,940)
Total non-current liabilities	(20,103)	(18,546)	(17,669)
Total liabilities	(66,921)	(70,807)	(71,601)
Net assets	43,229	38,204	43,493
Equity			
Share capital	223	223	223
Share premium	14,334	14,334	14,334
Employee Benefit Trust reserve	(1,815)	(2,072)	(1,571)
Share-based payment reserve	1,197	1,099	1,166
Hedging reserve	22	967	3,239
Retained earnings	29,268	23,653	26,102
Equity attributable to owners of the Group	43,229	38,204	43,493

Consolidated Statement of Changes in Equity
For the period ended 31 January

	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 year	-	-	-	-	-	7,620	7,620
Foreign currency retranslation	-	-	-	-	-	2	2
Cash flow hedging movement	-	-	-	-	1,129	-	1,129
Total comprehensive income for the year	-	-	-	-	1,129	7,622	8,751
<i>Transactions with shareholders:</i>							
Dividends paid	-	-	-	-	-	(2,844)	(2,844)
Share-based payments charge	-	-	-	144	-	-	144
Deferred tax on share-based payments	-	-	-	-	-	98	98
Purchase/sale of shares by the EBT	-	-	80	(69)	-	(11)	-
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 2022	223	14,334	(1,571)	1,166	3,239	26,102	43,493
Profit for the period	-	-	-	-	-	7,280	7,280
Foreign currency translation	-	-	-	-	-	-	-
Cash flow hedging movement	-	-	-	-	(3,217)	-	(3,217)
Total comprehensive income for the period	-	-	-	-	(3,217)	7,280	4,063
<i>Transactions with shareholders:</i>							
Dividends paid	-	-	-	-	-	(4,157)	(4,157)
Share-based payments charge	-	-	-	128	-	-	128
Purchase/sale of shares by the EBT	-	-	(244)	(97)	-	43	(298)
As at 31 January 2023	223	14,334	(1,815)	1,197	22	29,268	43,229

Consolidated Statement of Cash Flows
For the period ended 31 January

	Unaudited 31 January 2023 £'000	Unaudited 31 January 2022 £'000	Audited 31 July 2022 £'000
Net cash flow from operating activities			
Profit for the year	7,280	7,620	12,370
Adjustments for:			
Finance costs	711	361	842
Income tax expense	1,978	2,150	3,069
Depreciation	1,125	977	2,044
Amortisation	11	11	22
Derivative financial instruments	(4)	118	274
Share-based payments	128	144	403
Working capital adjustments			
Decrease/(increase) in inventories	1,872	(5,419)	(7,721)
(Increase) in trade and other receivables	(2,129)	(11,208)	(5,649)
Increase in trade and other payables	1,834	201	1,221
Net cash from operating activities	12,806	(5,045)	6,875
Income taxes paid	(1,446)	(1,435)	(2,345)
Net cash from operations	11,360	(6,480)	4,530
Cash flows used in investing activities			
Acquisition of subsidiary	(493)	(493)	(1,960)
Purchase of property, plant and equipment	(362)	(636)	(1,843)
Net cash used in investing activities	(855)	(1,129)	(3,803)
Cash flows used in financing activities			
(Purchase)/sale of own shares	(298)	-	373
Proceeds from borrowings	8,344	12,493	14,347
Repayment of borrowings	(14,426)	(1,000)	(2,766)
Principal paid on lease obligations	(424)	(497)	(936)
Debt issue costs paid	(93)	-	-
Dividends paid	(4,157)	(2,844)	(4,830)
Interest paid	(649)	(420)	(850)
Net cash generated by finance activities	(11,703)	7,732	5,338
Net (decrease)/increase in cash and cash equivalents	(1,198)	123	6,065
Exchange gains on cash and cash equivalents	-	1	4
Cash and cash equivalents brought forward	6,202	133	133
Cash and cash equivalents carried forward	5,004	257	6,202

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 2022 were approved by the Board of Directors on 2 November 2022 and delivered to the Registrar of Companies. The comparative figures for the financial year ended 31 July 2022 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 2023 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 2022, which have been prepared in accordance with UK adopted IFRSs.

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.

Accounting Policies

The accounting policies and method of computations adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 July 2022.

3. 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.

4. 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 36-37 of the Group's Annual Report for the year ended 31 July 2022, which is available on the Group's website, www.upgs.com. Below is a summary of those risks:

- **Macroeconomic factors:** Macroeconomic trends affecting consumer confidence and reducing non-food spending such as inflationary pressures, higher taxation, and higher interest rates, could affect retail demand.
- **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.
- **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.

- **Margin pressure:** A tough retail environment, increased shipping and road haulage costs and the impact of weakened Sterling could put pressure on gross margin.
- **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.
- **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.
- **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.
- **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.
- **Cyber security:** Risk of cyber crime with the potential to cause operational disruption, loss or theft of information, inability to operate effectively, loss of online sales or reputational damage.

5. 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 2022, 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.

6. Revenue

	6 months ended 31 January 2023	6 months ended 31 January 2022	Year ended 31 July 2022
	£'000	£'000	£'000
Geographical split by location:			
United Kingdom	62,569	56,718	101,050
Germany	8,825	11,771	19,231
Rest of Europe	15,642	14,866	29,700
Rest of the World	570	2,391	4,210
Total	87,606	85,746	154,191
International sales	25,037	29,028	53,141
Percentage of total revenue	28.58%	33.85%	34.46%

	6 months ended 31 January 2023	6 months ended 31 January 2022	Year ended 31 July 2022
	£'000	£'000	£'000
Analysis of revenue by brand:			
Salter	35,219	26,097	48,080
Beldray	17,174	23,892	39,950
Russell Hobbs (licensed)	10,546	13,371	20,165
Progress	4,005	3,865	8,287
Kleeneze	1,547	1,266	2,835
Premier brands	68,491	68,491	119,317
Other proprietary brands	10,721	9,154	17,032
Own label and other	8,394	8,101	17,842
Total	87,606	85,746	154,191

	6 months ended 31 January 2023	6 months ended 31 January 2022	Year ended 31 July 2022
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Analysis of revenue by product:	£'000	£'000	£'000
Small domestic appliances	36,695	31,915	57,032
Housewares	26,483	32,365	54,539
Laundry	8,621	8,070	14,799
Audio	7,157	5,569	5,870
Heating and cooling	2,950	2,706	12,907
Others	5,700	5,121	9,044
Total	87,606	85,746	154,191

	6 months ended 31 January 2023	6 months ended 31 January 2022	Year ended 31 July 2022
Analysis of revenue by sales channel:	£'000	£'000	£'000
Supermarkets	28,097	31,835	51,523
Online channels	22,904	12,835	25,321
Discount retailers	21,063	25,109	48,126
Multiple-store retailers	10,966	9,220	17,312
Other	4,576	6,747	11,909
Total	87,606	85,746	154,191

7. Finance Costs

	6 months ended 31 January 2023	6 months ended 31 January 2022	Year ended 31 July 2022
	£'000	£'000	£'000
Interest on bank loans and overdrafts	740	332	704
Interest on lease liabilities	35	35	74
Payments received on interest hedging instruments	(137)	-	-
Foreign exchange in respect of lease liabilities	8	(4)	(11)
Other interest payable and similar charges	65	(2)	75
Total finance cost	711	361	842

8. 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:

	6 months ended 31 January 2023	6 months ended 31 January 2022	Year ended 31 July 2022
Profit for the year	7,280	7,620	12,370
			Number
Weighted average number of shares in issue	89,312,457	89,312,457	89,312,457
Less shares held by the UPGS EBT	(3,077,824)	(3,978,691)	(2,958,630)
Weighted average number of shares – basic	86,234,633	85,333,766	86,353,827
Share options	1,924,065	4,159,769	2,580,825
Weighted average number of shares – diluted	88,158,698	89,493,535	88,934,652
	Pence	Pence	Pence
Earnings per share – basic	8.4	8.9	14.3
Earnings per share – diluted	8.3	8.5	13.9

9. Dividends

	6 months ended 31 January 2023	6 months ended 31 January 2022	Year ended 31 July 2022
	£'000	£'000	£'000
Final dividend paid in respect of the previous year	4,157	2,844	2,844
Interim declared and paid	-	-	1,986
	4,157	2,844	4,830
Per share	Pence	Pence	Pence
Final dividend paid in respect of the previous year	4.82	3.33	3.33
Interim declared and paid	-	-	2.30
	4.82	3.33	5.63

An interim dividend of 2.43p per share was approved by the Board on 28 April 2023 and will be paid on 30 June 2023 to shareholders on record as at 2 June 2023 (ex-dividend date being 1 June 2023).

10. Borrowings

	As at 31 January 2023	As at 31 January 2022	As at 31 July 2022
	£'000	£'000	£'000
Current			
Bank overdrafts	597	-	6,020
Invoice discounting	3,465	11,053	6,197
Import loans	6,970	7,128	8,179
Term loan	2,000	2,000	2,000
	13,032	20,181	22,396
Less: Unamortised debt issue cost	(98)	(90)	(82)
	12,934	20,091	22,314
Non-current			
Revolving credit facility	6,500	3,343	2,217
Term loan	5,000	7,000	6,000
	11,500	10,343	8,217
Less: Unamortised debt issue cost	(42)	(104)	(73)
	11,458	10,239	8,144
Total borrowings	24,392	30,330	30,458

The earliest that lenders of the above borrowings require repayment is as follows:

In less than one year	13,032	20,181	22,396
Between one and two years	11,500	2,000	2,000
Between two and five years	-	8,343	6,217
Less: Unamortised debt issue cost	(140)	(194)	(155)
	24,392	30,330	30,458

The Group is funded by external bank facilities provided by HSBC. The total drawn and undrawn facilities comprise a revolving credit facility of £8.2m (31 January 2022: £8.2m; 31 July 2022 £8.2m), an invoice discounting facility of £23.5m (31 January 2022: £23.5m; 31 July 2022 £23.5m) and a term loan of £7m (31 January 2022: £9m; 31 July 2022: £8m), all running to 2024, along with an import loan facility of £12m (31 January 2022: £8.7m; 31 July 2022: £9m) which is subject to annual review.

11. 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 January 2023 £'000	As at 31 January 2022 £'000	As at 31 July 2022 £'000
Trade receivables – held at amortised cost	32,421	36,656	30,643
Derivative financial instruments - assets	913	1,327	4,142
Trade and other payables	(27,835)	(26,966)	(28,095)
Derivative financial instruments - liabilities	(673)	-	-
Borrowings	(24,392)	(30,330)	(30,458)
Lease liabilities	(2,353)	(2,607)	(2,757)
Deferred consideration	(494)	(1,481)	(987)
Cash and cash equivalents	5,004	257	6,202

b) Financial assets

The Group held the following financial assets at amortised cost:

	As at 31 January 2023 £'000	As at 31 January 2022 £'000	As at 31 July 2022 £'000
Cash and cash equivalents	5,004	257	6,202
Trade receivables	32,421	36,656	30,643
	37,425	36,913	36,845

c) Financial liabilities

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

	As at 31 January 2023 £'000	As at 31 January 2022 £'000	As at 31 July 2022 £'000
Trade payables	20,122	19,259	20,662
Borrowings	24,392	30,330	30,458
Lease liabilities	2,353	2,607	2,757
Other payables	7,713	7,737	7,433
Deferred consideration	494	1,481	987
	55,074	61,414	62,297

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 January 2023 £'000	As at 31 January 2022 £'000	As at 31 July 2022 £'000
Forward currency contracts	(605)	1,024	3,524
Interest rate swaps	323	155	261
Interest rate caps	522	148	357
	240	1,327	4,142

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

	As at 31 January 2023 £'000	As at 31 January 2022 £'000	As at 31 July 2022 £'000
Trade receivables	32,421	36,656	30,643
Prepayments and other receivables not classified as financial instruments	1,902	1,097	1,551
Trade and other receivables	34,323	37,753	32,194

	As at 31 January 2023 £'000	As at 31 January 2022 £'000	As at 31 July 2022 £'000
Trade and other payables	27,835	26,996	28,095
Other taxes and social security not classified as financial instruments	3,541	2,690	1,549
Trade and other payables	31,376	29,686	29,644

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 2023, the Group was committed to:

	As at 31 January 2023		As at 31 January 2022		As 31 July 2022	
	Buy	Sell	Buy	Sell	Buy	Sell
USD\$'000	59,100	-	57,825	-	57,050	-
EUR€'000	-	23,450	-	19,350	-	23,200
CAD\$'000	-	-	-	-	-	60
PLN'000	-	3,300	-	300	-	5,500
CNY'000	1,431	-	3,430	-	2,459	-

At 31 January 2023, all the outstanding USD, EUR and PLN contracts mature within 12 months of the period end (31 January 2022: 12 months; 31 July 2022: 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 2023 is a liability of £605,000 (31 January 2022: £1,024,000 asset; 31 July 2022: £3,524,000 asset).

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 2022.

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 2023, protection was in place over an aggregate principal of £18,200,000 (31 January 2022: £17,700,000, 31 July 2022: £18,300,000).

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 2022.

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.

12. Related party transactions

	6 months ended 31 Jan 2023 £'000	6 months ended 31 Jan 2022 £'000	Year ended 31 Jul 2022 £'000
Transactions with related companies and businesses:			
Lease payments to Heron Mill Limited	168	240	407
Lease payments to Berbar Properties Limited	90	90	180

13. Alternative performance measures

The Group uses a number of Alternative Performance Measures (APMs) which are not defined within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and, as such, these measures should be considered alongside the IFRS measures.

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.

For and on behalf of the Board of Directors

Andrew Gossage
Managing Director
28 March 2023

Chris Dent
Chief Financial Officer
28 March 2023