ULTIMATE PRODUCTS

WELCOME TO THE HOME OF BRANDS

UP GLOBAL SOURCING HOLDINGS PLC
Annual Report & Accounts 2018

20
18

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Report Contents

BELDRAY Bathroom Collection
Functional, practical and trendy

Financial Highlights

REVENUE

£87.6 M
-20.4 %

UNDERLYING PROFIT BEFORE TAX*

£5.6 M
-47.3 %

NET DEBT/UNDERLYING EBITDA RATIO*

2.0 X

HIGHLIGHTS

- Revenue: £87.6 m (FY 17: £110.0 m, -20.4 %)
  - International revenue: £24.0 m (FY 17: £30.4 m, -21.0 %)
  - Online revenue: £7.0 m (FY 17: £4.6 m, +52.3 %)
- Underlying EBITDA*: £6.5 m (FY 17: £11.5 m, -43.8 %)
- Underlying EBITDA Margin*: 7.4 % (FY 17: 10.5 %, -310 bps)
- Underlying Profit Before Tax*: £5.6 m (FY 17: £10.7 m, -47.3 %)
- Profit Before Tax: £5.4 m (FY 17: £7.4 m, -27.0 %)
- Net Debt: £12.8 m (FY 17: £6.0 m)
- Net Debt/Underlying EBITDA Ratio*: 2.0 x (FY 17 : 0.5 x)
- Bank facility headroom: £9.1 m (FY 17 : £6.2 m)
- Underlying Earnings Per Share*: 5.4 p (FY 17: 10.9 p, -50.5 %)
- Full year Dividend Per Share: 2.72 p (FY 17: 5.115 p, -46.8 %)

*Items marked with an asterisk are non-GAAP measures. Definitions and relevant reconciliations are provided in the 'Glossary' section.

Underlying measures are calculated after adding back exceptional items and share-based payment charges as referred to in note 7 to the Financial Statements.

SALTER Diamond Tech Fry Pan
Ultra non-stick coated performance

Strategic Report

INTEMPO Gaming Headset
Enhance your interactive gaming experience

DELIVERING TOMORROW'S PRODUCTS TODAY

I am pleased to introduce the Annual Report for FY 18, a year of substantial challenge but also one where the business demonstrated its resilience and adaptability.

STRATEGY

The Group's strategy is to develop and maintain a portfolio of brands focused on the growing market of value-led consumer goods for the home.

Our strategy has four key pillars:

1. growing our business with discount retailers;
2. increasing our penetration in UK supermarkets;
3. expansion via online channels; and
4. international growth.

In addition, we pride ourselves on our superb range of great value core products, new and innovative products, excellent supply chain, strong and extensive customer base of leading retailers across a number of channels and, not least, the committed and talented colleagues that we employ who deliver our Company values every day. We believe that we offer all our customers the best possible, quality products with an overall service level that is best in class. This powerful combination is attractive to retailers who require suppliers that can provide certainty in compelling value, quality and supply.

The Board is confident that our relentless focus on these objectives will drive long-term growth for the business and its stakeholders.

PERFORMANCE

Revenue and profitability declined significantly in the year, reflecting a much tougher trading environment in the UK for general merchandise and the one-off impact of revenue deferral due to a change in supply arrangements for a major European customer.

Against this difficult backdrop, the business, its management and staff have once again demonstrated their adaptability, resilience and financial strength. Our balance sheet is strong and our operating headroom within our bank facilities gives us the financial firepower to take advantage of opportunities that typically arise during challenging times, such as the purchase by the Group of the Kleeneze brand, out of administration, in June 2018.

We have given additional focus to our international plans, as highlighted by the opening of our German showroom in April 2018, with international accounting for an increased share of our FY 19 order book.

Our online business also continues to grow and for FY 18 represented 7.9 % (FY 17: 4.2 %) of revenue, with this share expected to grow further in FY 19.

> **We believe that we offer all our customers the best possible, quality products with an overall service level that is best in class. This powerful combination is attractive to retailers who require suppliers that can provide certainty in compelling value, quality and supply.**

DIVIDENDS

The Board has established a dividend policy of distributing 50 % of the Group's adjusted profit after tax. A final dividend is recommended of 1.89 p per share to give a total dividend of 2.72 p per share for the full year.

The final dividend is payable on 30 January 2019 to shareholders on the register on 4 January 2019.

SUMMARY

The Board fully believes that our strategy of developing and building, both in the UK and internationally, our portfolio of brands that focus on mass-market and value-led consumer goods for the home will create further value for all our stakeholders, and we are excited by the Group's long-term growth prospects.

FY 18 was very challenging for UK consumer-facing businesses and this was reflected in our results. In response, the Board, management and our colleagues have worked hard to adapt to this changed environment by driving our international and online businesses even harder. This is already bearing fruit and is having a positive impact on the FY 19 order book.

On behalf of our stakeholders, I would like to thank all of our colleagues for their continued commitment and hard work over the past year.

James McCarthy
Chairman
5 November 2018

Strategic Report

Chief Executive's Review

> **The Group's order book for FY 19 is ahead of this time last year, with international accounting for a larger share. More broadly, current trading is in line with expectations and, while the conditions in the UK look set to remain challenging for the foreseeable future, the positive momentum within the business means that the Group continues to look to the future with confidence.**

PERFORMANCE

Group revenue declined by 20.4 % to £87.6 m (FY 17: £110.0 m), which was mainly driven by a difficult UK trading environment for general merchandise and a one-off impact of revenue deferral from a major European customer as they requested a change in supply arrangements from FOB to landed. As landed revenues are recorded as sales later than for Free on Board ('FOB'), this has led to revenue being deferred and has had a one off impact on FY 18.

As a result of the lower revenues, Underlying EBITDA was down 43.8 % to £6.5 m and Underlying Profit Before Tax was down 47.3 % to £5.6 m, with Profit Before Tax 27.0 % down to £5.4 m. Gross Margin was steady at 22.4 % (FY 17: 22.3 %).

The tougher trading environment for general merchandise in the UK was mainly caused by wage deflation, which in turn led to pressure on consumers' discretionary spend. As a consequence, non-food sales have declined as consumers prioritised food purchases. The decline in non-food has been particularly apparent in physical stores with the continued transition to online sales.

> **"We made good progress in Germany where the Group opened its new showroom in April 2018 and where we have already opened a number of major retail accounts, with orders taken to date ahead of management's expectations."**

For retailers, this coincided with a rise in imported cost price caused primarily by a weak Sterling , along with consequential retail price inflation which reduced order volumes. This, along with retailers' desire to minimise increases in retail prices, created an even more competitive trading environment.

Despite the challenges set out above, Gross Margin has remained stable at 22.4 % (FY 17: 22.3 %). This is mainly due to changes in customer mix, ongoing

BUILDING FOR A STRONGER FUTURE

product innovation, the growth in higher margin online business and the Group continuing to effectively manage weaker exchange rates.

OPERATIONAL OVERVIEW

The new landed supply arrangements with a major European retailer, whilst a one-off hit to revenue in FY 18, has further supported the Group's position as one of its key suppliers and represents an exciting opportunity to grow alongside one of the continent's fastest expanding retailers.

We made good progress in Germany where the Group opened its new showroom in April 2018 and where we have already opened a number of major retail accounts, with orders taken to date ahead of management's expectations. We see our base in Cologne as a launch pad not just for Germany, but over time for other territories in Central and Western Europe.

A particular highlight of the Group's branded product portfolio during the period has been the performance of Progress, our cookware and kitchen electrical brand, which is now listed with several retailers in the UK, including a major UK supermarket, and also in Europe.

In June 2018, the Group purchased the Kleeneze brand out of administration. Kleeneze is a leading cleaning, laundry and homewares brand with a history that goes back almost a century. We are currently in the process of relaunching the brand with a range of laundry and floorcare products for sale into retail and via online channels, complementing the existing offer under our Beldray brand. We are delighted to have added such a well-established and highly-regarded brand to our existing portfolio of British brands.
It has an outstanding heritage with a long-standing reputation for value and quality.

The refurbishment of our new 240,000 sq ft warehouse at Heron Mill in Oldham was completed at the end of FY 17 when it became the Group's main distribution centre. During FY 18 Heron Mill delivered improved operational efficiencies, as well as additional capacity to manage the future growth of the business. Heron Mill also includes a dedicated single-pick facility, which has been crucial for underpinning the strong growth of the online business in FY 18 and for expected growth in future years.

Revenue from online channels grew in the year by 52.3 % to £7.0 m, representing 7.9 % of total revenues in FY 18 (FY 17: 4.2 %). Whilst still a relatively small proportion of overall revenue at the moment, it is increasing in importance. Online is an exciting and fast-growing part of the business and we are optimistic about its future prospects.

I am particularly proud to report that we recruited our 100th graduate onto our Graduate Development Scheme during FY 18. Oldham, where we are based, is one of the most deprived towns in England and the Graduate Development Scheme provides an opportunity for young people, both local and from elsewhere in the North West, to pursue their career ambitions here.

OUTLOOK

Whilst trading was very difficult in FY 18, the Group has continued to focus on its four-pillar strategy and on its customer relationships, colleagues, systems and market-leading supply chain. As a result, the Group is now seeing some customers who reduced business in FY 18 - in order to reduce costs and pursue margin - beginning to increase order volumes again with Ultimate Products because of the better service, quality and overall value that it can provide. In addition, the Group's growing focus on its international and online businesses is also delivering some promising results.

As a result, the Group's order book for FY 19 is ahead of this time last year, with international accounting for a larger share. More broadly, current trading is in line with expectations and, while the conditions in the UK look set to remain challenging for the foreseeable future, the positive momentum within the business means that the Group continues to look to the future with confidence.

Simon Showman
Chief Executive Officer
5 November 2018

PROGRESS Deco Drip Coffee Maker
Serve and enjoy freshly brewed, tasty coffee

BEAUTIFUL PRODUCTS FOR EVERY HOME

Business Model and Strategy

BUSINESS MODEL AND OPERATIONS

Ultimate Products is the owner, manager, designer and developer of an extensive range of value-focused consumer goods brands, focused on the home. Our innovative branded products create the opportunity for retailers to price our products competitively compared to their own-label equivalent.

- **We develop:** Spotting trends early, being innovative and developing new and existing products at pace is key.
- **We source:** Our innovative products derive from 15 countries with almost 80 % coming from China.
- **We are branded:** Including Beldray, Salter, Intempo, Russell Hobbs, Progress.
- **We market:** Using social media builds awareness of our products and brands.
- **We sell:** Wholesale selling to 300 + retailers with a growing online offer. Supply channels include bespoke forward orders as FOB or landed, along with a growing direct-from-stock option.
- **We invest in quality:** Both our UK and China offices have in-house teams of QA professionals. We are a member of SEDEX and audit our key suppliers to the ETI Code of Conduct.
- **We invest in our people:** Our Graduate Development Scheme was established in 2012 and we now employ 92 people who are either on the scheme or have completed it.
- **We invest in our systems:** We have developed systems and applications that can manage the complexity of supplying retail and online in a cost-effective and scalable manner.
- **We are low cost:** Keeping our costs down allows us to retail our products at competitive prices.
- **Operations:**

– We were established in 1997.

– We have offices and showrooms in Oldham, Greater Manchester and Guangzhou, China, as well as a showroom in Cologne, Germany.

– We employ over 240 people across the business.

– We have 388,000 sq. ft of warehousing in Oldham, Greater Manchester.

CAMBRIDGE Bamboo Sippy Mug
Reduce waste caused by single use cups

BUSINESS STRATEGY

THE FOUR PILLARS TO GROWTH

1. International: We are a global business, already selling into 36 countries worldwide and with 27 % of our revenues coming from international customers. We believe that our product offer of branded general merchandise at mass-market prices is compelling for consumers in other territories, just as much as it is in the UK. We are targeting large international retailers, normally on an FOB basis, with a current focus on Europe and Germany in particular.

International

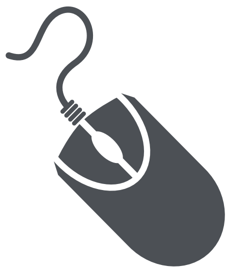
2. Discounters: Branded products at mass-market prices are attractive to discount shoppers and offer a compelling proposition to discount retailers, where own-label products may not be an option. Discount is a fast growing segment of the UK and European retail market for general merchandise. Our strategy is to increase listings with existing discount customers, benefit from their store expansion plans and open new European accounts in this sector.

Discounters

3. UK supermarkets: We have long-standing trade relationships with all of the major UK supermarkets but our penetration to date has been relatively low. However, we believe that our branded products, competitively priced compared to the own-label equivalents, are very appealing to supermarket customers. We provide supermarket retailers with the same retail margin as their own-label equivalent, in addition to a more attractive proposition for their customers and plan to increase our penetration of the UK supermarkets by demonstrating the effectiveness of our product offer in-store through increased LFL sales.

UK supermarkets

4. Online channels: Online now accounts for over 20 % of non-food retail sales in the UK. In FY 18, online channels accounted for 7.9 % (FY 17: 4.2 %) of our sales. We believe that there is significant opportunity for further growth through platforms such as Amazon and our objective is to grow this business to 20 % of revenue over the medium to long term. In addition, we believe that there may be further scope for growth via a roll-out across Amazon's other international platforms.



Online channels

KEY PERFORMANCE INDICATORS

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

Measure	Description	Performance
Revenue and Revenue Growth	The revenue in the period and the increase relative to the prior period.	£87.6 m (-20.4 %)
Sales per Head	Revenue for the period divided by the average number of permanent employees in the period.	£377.5 k (-23.8 %)
Gross Margin Percentage	Gross profit for the period divided by revenue for the period.	22.4 % (+10 bps)
Underlying EBITDA*	Profit before interest, tax, depreciation and amortisation, excluding exceptional items and charges for share-based payments.	£6.5 m (-43.8 %)
Underlying EBITDA Margin*	Underlying EBITDA for the period divided by revenue for the period.	7.4 % (-310 bps)
Underlying Profit Before Tax*	Profit before tax excluding exceptional items and charges for share-based payments.	£5.6 m (-47.3 %)
Net Debt/Underlying EBITDA* Ratio	Net debt at the end of the period divided by underlying EBITDA for the period.	2.0 x (FY 17: 0.5 x)
On Time Delivery Percentage	Number of orders from retailers delivered on time in the period divided by the total number of orders delivered to retailers in the period.	98.7 % (FY 17: 98.9 %)

** Items marked with an asterisk are non-GAAP measures. Definitions and relevant reconciliations are provided in the 'Glossary' section.*

RESILIENCE IN A CHALLENGING ENVIRONMENT

The financial results for the year ended 31 July 2018 were disappointing for the Group and reflect the challenging consumer-focused environment. In spite of this, net assets increased 28.8 % and headroom on the banking facilities increased by 47.6 %.

OVERVIEW

	FY 18	FY 17	Change
Revenue (£'m)	87.6	110.0	-20.4 %
Gross margin	22.4 %	22.3 %	+10 bps
Underlying EBITDA (£'m)*	6.5	11.5	-43.8 %
Underlying EBITDA margin*	7.4 %	10.5 %	-310 bps
Underlying profit for the year (£'m)*	4.5	8.4	-46.8 %
Profit for the year (£'m)	4.3	5.6	-23.2 %
Net cash from operations (£'m)	-2.1	9.4	-121.8 %
Free cash flow (£'m)*	-3.2	7.8	-140.7 %
Net debt (£'m)*	12.8	6.0	+ £6.8 m
Net debt/Underlying EBITDA ratio*	2.0 x	0.5 x	+400.0 %
Underlying earnings per share (p)*	5.4	10.9	-50.5 %

Underlying performance measures exclude the exceptional items and share-based payment charges referred to in note 7 to the Financial Statements which are commented on below.

REVENUE

The tough UK trading environment for general merchandise and the one-off deferral impact of a major European customer changing supply arrangements from FOB to landed resulted in a significant decline in revenue for FY 18, reducing by 20.4 % to £87.6 m.

With our largest strategic pillar, discount, impacted by both of the above factors, the decline in revenue was more pronounced at 29.1 %. However, some positive developments arose from the strategy to increase penetration in UK supermarkets, such that the share of sales for this strategic pillar increased 1.6 % to 11.0 %, albeit still down, in absolute terms, against FY 17 by 6.5 %. A more positive step forward was achieved online, where sales grew 52.3 % to £7.0 m; still a relatively small share of sales but one that we expect to continue to grow.

Although international sales declined at a rate similar to the total in FY 18, further analysis indicates that the strategy is beginning to deliver and provide a more diverse revenue base. The January 2018 half-year results reported international share of sales falling from 26.5 % to 19.8 %, significantly impacted by the deferral noted above. However, the second-half share of sales increased to 36.9 %, with growth of 16.4 %, substantially from the German market.

Brands

The Group has continued its strategy to concentrate on offering branded, mass-market and value-led consumer goods and the summary of the Premier Brands, representing 61.5 % of total revenue (FY 17: 60.0 %), is set out below:

	FY 18 £'m	FY 17 £'m	Change %
Beldray	21.5	30.8	-30.2
Salter	13.8	16.0	-13.7
Intempo	8.5	10.0	-15.9
Russell Hobbs	6.9	8.5	-18.5
Progress	3.2	0.6	+445.9
	53.9	65.9	-18.3

In general, the decline in revenue was felt across the brands with the exception of Progress, our Lancastrian heritage brand acquired in July 2015. Having developed the product range and packaging primarily across the cookware and small kitchen electrical product categories, Progress is now gaining traction with listings in the UK and Europe and delivered growth of £2.6 m.

Kleeneze, purchased in June 2018, is a new addition to the brand portfolio with a broad product range being developed for relaunch in Spring/Summer 2019.

MARGINS

In spite of cost and currency pressures, gross margin remained broadly stable at 22.4 %, 10 bps higher than 2017. Changing customer mix was a key factor to margin development, as this, including the growth of higher margin online sales, mitigated increased costs. Additionally, albeit overlapping with customer mix (online sales are landed), FOB sales, which typically generate a lower gross margin but require lower overheads to serve, reduced from 67.6 % to 52.2 %.

> **The Group is financed by a suite of trade and revolving credit facilities provided by HSBC Bank plc, further information on which is provided in note 23 to the Financial Statements. Over the course of the year, the Group has operated well within the covenants to the banking facilities and has maintained comfortable levels of funding headroom.**

Although revenue declined significantly, overheads, commented on further below, were broadly level, with last year resulting in a fall in the Group's underlying EBITDA margin by 310 bps to 7.4 %.

OVERHEADS

Administration expenses, excluding exceptional items and share-based payment charges, increased by £0.2 m (1.5 %) to £13.6 m in FY 18. Our international growth strategy resulted in increased costs in the year of £0.2 m comprising of increased investment at trade exhibitions in Germany, along with the rental costs of the new showroom in Cologne.

Within overheads, wages and salary costs continue to be the most significant item, accounting for over 60 %. With increased operating efficiency from the investment in the Heron Mill warehouse facility and much reduced performance-related bonuses, wages and salary costs were level with the prior year in spite of increased costs from wage inflation pressures and a full year of a plc board (5 months cost in FY 17). Over the course of FY 18, the average number of employees increased by 10 (or 4.5 %), 8 of which related to structural changes both in the UK warehouse and in the Far East, where new positions had been created to replace third-party costs.

EXCEPTIONAL ITEMS AND SHARE-BASED PAYMENT CHARGES

After incurring exceptional items of £3.1 m in FY 17 (IPO costs of £1.1 m and the legacy shareholder bonuses of £2.0 m that ceased to accrue after 31 July 2017) there were no such costs in FY 18. Non-cash, share-based payment expense, relating to the Management Incentive Plan, introduced immediately prior to the IPO, amounted to £0.2 m (FY 17: £0.1 m). These costs have been shown separately in the Income Statement to better reflect the performance of the underlying business.

INTEREST

At £0.4 m, finance costs were 17.4 % lower than FY 17 reflecting the lower sales-related working capital levels and, therefore, lower bank debt was seen over a large proportion of the year. Although, as referred to below in the comments on cash flow, and as expected by the Board, working capital and bank debt drawn on the trade facilities increased at the end of the year

TAXATION

The effective underlying tax rate has reduced from 21.1 % to 20.3 % for FY 18 and this is in line with expectations, given the reduction in the rate of UK corporation tax to 19 % with effect from 1 April 2017.

BALANCE SHEET AND CASH FLOW

The Group's balance sheet strengthened significantly over the year, with net assets increasing by £2.0 m to £8.7 m. The key points to note regarding the balance sheet can be summarised as:

- The main components of the increase in non-current assets of £0.3 m were the capital expenditure on the German showroom of £0.3 m in support of our international growth strategy and the £0.1 m purchase of the Kleeneze trademark.

- Inventories increased by £5.4 m (48.8 %) in FY 18, due to the change in supply arrangements from FOB to landed for a major European customer, a higher order book for the first quarter of FY 19 along with an underlying increased share of sales as landed. Landed sales require stockholding prior to invoicing, whereas FOB sales do not. The increase is entirely driven by 'sold stock' purchased against a customer requirement, with 'free stock' levels lower than FY 17 at £6.3 m.

- Trade and other receivables increased by £3.1 m (26.1 %) compared to FY 17. Of this, £3.0 m related to trade receivables as sales in June and July 2018 were higher than the last year and debtor days increased from last year's exceptionally low level of 36 days to 41 days. A reversal of the low level reported in FY 17 was expected, although the level remains low in FY 18 compared to historical levels of around 50 days.

- Trade and other payables are £0.2 m (1.7 %) higher than last year, with trade payables £2.8 m (48.4 %) higher due to the increased stock levels and the change in landed / FOB sales mix. This increase was substantially negated by the reduction in accruals of £2.3 m, principally comprising the payment in the year of the shareholder bonus of £2.0 m, referred to in note 7 to the Financial Statements, with no further accrual arising.

- Derivative financial instruments, largely relating to the Group's forward foreign exchange contracts, have increased by £1.2 m to be an asset of £1.0 m at 31 July 2018 (2017 – liability of £0.2 m). This primarily corresponds to the increase in the hedging reserve.

- Current tax was a £0.5 m debtor in FY 17, being the residual amount recoverable from the £2.1 m EMI scheme corporation tax credit last year. The remaining £1.6 m eliminated the FY 17 corporation tax liability, reducing tax payable in each of FY 17 and FY 18 by £0.8 m. The FY 17 debtor balance was recovered in FY 18, reducing the corporation tax payable further such that the tax paid in the year reflected the overseas tax liabilities and the closing corporation tax liability of £0.4 m reflects a return to normal.

Overall, working capital increased by £8.3 m in FY 18 with the main components, as referred to above being:

- inventories (+£5.4 m), increased landed sales and quarter 1 order book along with a major customer changing from FOB to landed;
- trade debtors (+£3.0 m), higher sales at the end of FY 18 and an increase in debtor days from an exceptionally low prior-year level;

- trade payables (-£2.8 m); increased stock levels and changes in landed / FOB mix; and
- accruals (+£2.3 m), payment of the final shareholder bonus accrued in FY 17.

The increase in working capital is the driver of the £2.1 m net cash outflow from operations, flowing through to the £3.2 m free cash outflow as set out below.

	FY 18 £'m	FY 17 £'m
Net cash from operations	(2.1)	9.4
Net capital expenditure	(0.8)	(1.1)
Net interest paid	(0.3)	(0.5)
Free cash flow*	(3.2)	7.8

With dividends paid of £3.6 m (FY 17 final – £2.9 m, FY18 interim – £0.7 m), net bank debt increased from £6.0 m to £12.8 m, with net senior debt reducing to £1.8 m and the trade facilities comfortably supporting the increased debt thereunder of £11.0 m.

FINANCING AND GOING CONCERN

The Group is financed by a suite of trade and revolving credit facilities provided by HSBC Bank plc, further information on which is provided in note 23 to the Financial Statements. Over the course of the year, the Group has operated well within the covenants to the banking facilities and has maintained comfortable levels of funding headroom. Headroom at 31 July 2018 was £9.1 m (31 July 2017 – £6.2 m). Conscious of the increased mix of landed sales and associated stock requirement during the year, the Group increased the capacity of its import loan trade facility, funding stock purchases, by £2.2 m.

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

Graham Screawn
Chief Financial Officer
5 November 2018

Principal Risks and Uncertainties

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

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

KEY TO RISK MOVEMENT

↔	↑	↓	NR
No change	Increased	Decreased	New Risk

Area	Risk	Mitigation	Movement
Macroeconomic factors	Macroeconomic trends affecting consumer confidence and depressing consumer non-food spending could affect retail demand. Additionally, an increase in food prices could similarly reduce non-food spending with consumers prioritising food expenditure.	The Group sees the opportunity to increase its market share by developing new customer relationships, particularly internationally via its new German showroom which opened in April 2018, and from growth in online channels, mitigating the risk from macroeconomic factors affecting the overall market. The Group's products, being mass-market and value-led, are well-placed in the event of an economic downturn.	↔
Brexit	The UK's decision to leave the EU has led to a period of economic and political uncertainty, likely to continue until exit negotiations have been concluded and beyond. This situation may further adversely impact consumer demand and trading performance. In addition, the application of import tariffs on EU sourced food would lead to higher food prices and the risk of a 'no deal' Brexit in March 2019 could result in a further weakening of Sterling.	The Group is closely following developments in this area and will adapt its strategy as the impact of Brexit becomes clearer. The Group maintains a foreign exchange hedging policy to mitigate the impact of short-term currency fluctuations.	NR

Strategic Report

Principal Risks and Uncertainties continued

Area	Risk	Mitigation	Movement
Margin dilution	A tough retail environment, the impact of weakened Sterling (discussed below) and customer mix (large concentration on discounters) could put pressure on gross margin.	The Group's strategy of international growth, expansion of online channels and increased penetration of UK supermarkets continues to provide greater diversity and a balanced-margin portfolio. The Group also employs a combination of margin-enhancing initiatives including monitoring profitability of individual product lines, continued product innovation and refreshing product ranges, balanced against the need to ensure that our products remain competetive.	↓
Loss of continuity of supply of goods for resale	Heavy reliance on China as a source of products. Any deterioration in, or disruption to political, economic or social conditions in China could impact the Group's sales and operating profits. Potential changes in Chinese law could impact margins.	The Group closely monitors developments in China and continues to consider and use alternative sources when practicable and viable.	↔
Customer concentration	A large proportion of the Group's turnover is derived from a small number of customers. Loss of a key customer could have an adverse impact on the Group's turnover and operating profit. A decline in traditional high-street shopping in favour of online shopping could impact the Group's sales and operating profits.	The Group continues to develop relationships with other existing customers and target new customers, with specific focus on international and online sales, in order to widen its portfolio and spread risk. In addition, in-store penetration of the Group's brands and products offers some commercial protection against customer loss.	↓

Area	Risk	Mitigation	Movement
Retention of competitive advantage through innovation	Failure to develop and enhance our product range and ensure that products continue to have resonance with consumers, or lack of awareness of trends and changes in consumer behaviour, could result in loss of our competitive advantage, which could impact on the Group's turnover and margins.	A high level of new product development focus is maintained and monitored by the Board. Buying teams and senior management regularly attend trade shows and carry out store and factory visits to ensure that they are in touch with the latest consumer demands and trends.	↔
Brands	Failure to renew or delays in renewing licences for key brands could impact turnover. Failure to develop or acquire new brands could restrict growth, given the Group's brand-led strategy.	The risk of non-renewal is mitigated by maintaining strong revenues to and good working relationships with licensors. Licences are negotiated for as long as possible and as early as possible, in order to provide greater certainty around future revenues. The Group continues to develop a 'second tier' of brands and to acquire potential new brands, such as Kleeneze during the current year.	↔
Stock management	As the share of landed sales increases due to online growth and increased sales from stock, the Group is likely to experience continued upward pressure on stock levels. Inefficient stock management could result in overstocking, which may adversely affect working capital. Conversely, understocking could limit the Group's ability to take advantage of these opportunities.	Stock levels and purchasing are closely managed, with all purchase orders being reviewed by senior management before being placed. Stock is categorised between 'free' and (pre) 'sold' to ensure that management focus on higher risk items. 'Free' stock is reviewed at Director level and prompt actions are taken where necessary.	↔

Strategic Report

Principal Risks and Uncertainties continued

Area	Risk	Mitigation	Movement
Legal and regulatory	Failure to comply with new legal and regulatory requirements could result in fines or adverse impact on the Group's reputation.	Non-Executive Directors bring additional knowledge and experience of regulatory and compliance matters. Issues are raised and discussed by the Audit and Risk Committee and external technical and consulting resources are employed when necessary. Resource and training requirements are reviewed on an ongoing basis.	↓
Human resources	Failure to attract and retain high-quality individuals could impact on the delivery of the Group's strategies.	The Group takes a number of steps to encourage the retention of its senior management, as set out in the Remuneration Report. The Group's Graduate Development Scheme provides a steady inflow of high-quality staff to support the future development of the Group, and at the senior level, the Group is in the process of introducing a Senior Management Team Development Programme.	↔
Cyber attacks	A heightening risk of cybercrime with the potential to cause business interruption, loss of key systems, loss of online sales, theft of data or damage to reputation.	The Group continues to review and invest where appropriate in the development and maintenance of our IT infrastructure, systems and security. We have in place disaster recovery and business continuity plans.	↑

Area	Risk	Mitigation	Movement
Financial risks	The Group's operations expose it to a variety of financial risks that include the following:		↔
	• price risk	The Group continually monitors the price and availability of materials and labour but the costs of managing the exposure to price risk exceed any potential benefits given the extensive range of products and suppliers.	
	• foreign currency risk	The Group's exposure to foreign currency risk is partially hedged by virtue of invoicing a proportion of its turnover in US Dollars. In addition, the Group maintains a hedging policy and uses foreign exchange forward contracts to reduce the risk of volatility in revenue and cost of goods.	
	• credit risk	The Group's sales are primarily made with credit terms, exposing it to the risk of non-payment from customers. The Group has implemented policies that require credit checks on potential customers and the maintenance of appropriate credit limits. Trade receivable balances are vigilantly managed and prompt action taken on overdue accounts. In addition, the Group maintains a suitable level of credit insurance against its trade receivables book.	
	• liquidity risk	Cash flow requirements are monitored by short and long-term forecasts, with headroom against facility limits and banking covenants assessed regularly.	
	• interest rate cashflow risk	The Group's interest bearing liabilities expose it to the financial risks of changes in interest rates. The Group has a policy of maintaining a portion of its banking facilities under the protection of interest rate swaps and caps to ensure the certainty of future interest cash flows.	

Strategic Report

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code 2016, the Directors have assessed the viability of the Company over a three-year period to July 2021, taking account of the Group's current position and the Group's principal risks, as detailed in the Strategic Report. Based upon this assessment, and the assumption of the banking facilities continuing as referred to below, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to July 2021.

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

The Group is financed by bank facilities with HSBC, which comprise a £6.2 m revolving credit facility (due for renewal on 22 July 2020), a £17 m invoice discounting facility (due for renewal on 24 June 2020) and ancillary to the revolving credit facility is a £8.7 m import loan facility, which is repayable on demand and subject to annual renewal. The Directors believe that committed banking facilities at an appropriate level will be renewed sufficiently in advance of the 2020 renewal dates and also that, in the ordinary course of business, the import loan facility will continue throughout the period of the revolving credit facility. In assessing the position and prospects of the Group over the period to 31 July 2021, the Directors have assumed that existing banking facilities will continue to be available and will be renewed in advance of their expiry.

The following three principal risks were selected for enhanced stress testing: macroeconomic factors, margin dilution and customer concentration, with the adverse impacts reflected as reductions in revenue and gross margin. In the situations reviewed, the business remained robust, with sufficient funding and headroom, and compliance with key covenants to remain in operation over the period reviewed. The Board considers that the long-term relationships it has with many of its customers and suppliers, together with its value-led branded consumer goods strategy, helps to protect the Group and gives it the resilience to withstand such scenarios materialising.

The Board selected the period of three years to 31 July 2021 as an appropriate period for the Company's Viability Statement, as management currently use three-year forecasts as part of the business planning process.

Strategic Report
Corporate Social Responsibility

Ultimate Products is committed to the highest standards of corporate behaviour and we recognise the importance of operating in a socially, ethically and environmentally responsible manner across every aspect of our operations.

We endeavour to maintain a productive and open line of communication with those affected by our business and who have an interest in our ongoing activities. This includes our customers, suppliers, employees and other key partners within our supply chain. Furthermore, we monitor supplier performance, audit our customer service systems and processes (through the ISO 9001/2015 accreditation) and encourage open feedback from all employees across the Group. This year the Company has relaunched an Employee Consultation Group that meets periodically, includes employee representatives across all departments and enables open discussion on latest concerns or developments within the working environment.

We are committed to progressing our policies, procedures and systems across the Group, ensuring that we monitor and maintain all aspects of Corporate Social Responsibility ('CSR') that are relevant to the business. These include concern for employee health and safety, caring for the environment, ethical behaviour and ongoing community involvement.

The Board of Directors takes ultimate responsibility for CSR and is committed to developing and implementing effective and measurable policies. The Group Human Resources ('HR') and Operations Director is heavily involved in the day-to-day CSR activities, driving initiatives across the wider teams and building strong relationships within key community contacts including local MPs, Councillors and other senior local business leaders. The Board believes that, to date, the activities of the Group have not presented any significant environmental risks.

EMPLOYEES

The Group aims to attract, develop, retain and motivate highly-talented employees who can contribute within a dynamic business culture that promotes contribution and provides its people with the opportunity to succeed.

We are committed to creating an environment that fosters innovation and supports a culture of teamwork and partnership, all of which are crucial to Ultimate Products' success. A variety of career paths, development schemes and staff recognition programmes are being developed to improve staff retention and maintain the growing talent pool.

GRADUATE SCHEME

The Group's Graduate Development Scheme continues to be highly successful in recruiting and developing talented graduates, through entry-level positions, across all of our key departments within the UK head office. This financial year it recruited a further 47 graduates onto the scheme across 18 different entry-level roles and within 9 different key departments. The scheme continues to be the main driver for our recruitment strategies and next year will see partnerships forming with local universities to promote the scheme further.

This year also saw the introduction of our Graduate+ recruitment initiative, which aims to target graduates with 12–18 months working experience who have already developed transferrable skills to help speed up their ability to take on higher levels of responsibility sooner, compared to those within the graduate scheme. So far, we have recruited 7 people via this initiative and are currently working on recruitment methods to increase the initiative further.

LEADERSHIP SCHEMES

The development of future leaders is a key element of our succession planning, and leadership development is crucial to the future success of the business. These plans are regularly monitored, discussed and updated to align with the evolving leadership needs of the business and allow the business to grow. Formal performance reviews are conducted, aligned with the key pillars of the business strategy and linked to the values of the business.

Our annual 'Introduction into Leadership' course, which is open to all staff who have been identified as future leaders, has continued to be a success, with a further 7 participants successfully graduating from the course this year. The course continues to be a positive first step in providing talented future leaders with the foundation skills they require to progress their careers into management.

The 'Women in Leadership' initiative, whereby female members of our Senior Management Team mentor our future female leaders, has continued this year and risen to now 13 participants. This has now become an integral part of the leadership development offered to our future female leaders and covers structured training from external training providers, as well as internal mentoring from female members of senior management.

This year, work has commenced on developing a Senior Management Team Development Programme, which focuses on developing the skills of the Company's Senior Management Team in order to provide a framework for them to reach their potential. The scheme is currently in development phase and will be ready during FY 19.

OTHER INITIATIVES AND POLICIES

Our initiative to recruit employees from the local Oldham area continues to see positive progression, with a further 22 employees recruited in the past financial year from an 'OL' postcode, which is within close proximity to our UK head office site. Currently, 35 % of our UK workforce live within close proximity to the UK head office and continue to assist in building our employer brand locally, integrating ourselves within the local community and improving staff retention.

The Group is committed to providing equal opportunities to all existing and prospective employees, without unlawful or unfair discrimination. Our equality and recruitment policies ensure that we attract and recruit people from all backgrounds.

BREAKDOWN OF DIRECTORS AND EMPLOYEES (ACROSS THE GROUP)

Employees as at 31 July 2018:

	Male	Female
The Board	7	0
Heads of Departments, Senior Managers, Other Directors (Excluding the Board)	17	7
Employees	99	122
Total	**123**	**129**

CHARITY WITHIN THE COMMUNITY

ETHICS

Ethical trading is a critical aspect to the way in which our business is conducted and compliance to high ethical standards across the Group, our suppliers and supply chain partners is essential. We apply these standards to all dealings with employees, customers, suppliers and our suppliers' employees, as well as other stakeholders. Our ethical and social compliance team regularly monitors the performance of our suppliers to ensure that they are meeting local laws, as well as our own high standards and those of our customers.

The Group's modern slavery, anti-bribery and whistle-blowing policies have been developed to ensure that the Group's business adheres to high ethical and legal practices, as well as to maintain standards of professionalism and integrity for all employees worldwide. The whistle-blowing hotline, which is monitored by the HR team, provides further opportunity for employees, customers, suppliers or other stakeholders to confidentially raise any concerns so that they can be thoroughly investigated. The introduction of a Modern Slavery Committee comprising key employees from across the Company will assist compliance to the Modern Slavery Act and monitor the actions of our wider supply chain partners in more detail.

COMMUNITY

The Group seeks to make a positive difference by being an active contributor to the local communities within which it operates. The Group's HR department, alongside the Charity Committee, continue to drive new initiatives that support charities, local educational establishments and community groups located within a few miles of the Group's office in Oldham, Greater Manchester.

Employees are very active with participating in fundraising and seeking out local good causes that the Group can help, support and make a difference to those that require it.

Over the course of the year, the Group has been involved in a variety of important local events and initiatives with the aim to support the local community. These include:

- Being a lead sponsor and key judge of the Young Enterprise Awards, which allows undergraduates from multiple local universities to work in teams to develop a small business start-up idea and operate it for a year, allowing young entrepreneurs to develop their skills.
- Working with the 'Reach Out' initiative to provide business mentoring and office skills training to pupils of local secondary schools.
- Being a sponsor for the British Education Awards, which recognises students who have performed well academically within educational establishments at GCSE, A level and degree level.

- Developing relationships with Oldham Athletic Community Trust to provide sporting equipment to local Oldham schools and their pupils.
- Sponsoring 'Employer of the Year' at the Oldham Business Awards 2018 to provide support and awareness to aspiring local businesses, whilst building the Company's brand within the locality.
- Working with pupils of Oasis Academy and Oldham Groundwork to develop and regenerate landscaping areas around the Heron mill site.
- This year the Group raised £3,444 for Mustard Tree, a Greater Manchester charity that provides care and services for the homeless within the Greater Manchester area. The Group's Charity Committee raised the funds through numerous and varied activities that involved participation from employees and engaging with local community events.

HEALTH AND SAFETY

The Managing Director is the Director appointed by the Board to have responsibility for the health, safety and environmental performance of the Group. The Group health and safety policy places responsibility for the management of health and safety on the Group HR Director and HR department, who are supported by local external advisers, where necessary.

The Group HR Director works with the respective Heads of Departments and business units to ensure compliance with local statutory health and safety regulations, as well as Group policy. The HR department provides all employees with a written health and safety policy and the policy is also widely communicated through staff communal areas.

Independent external reviews and audits of the Group's health and safety performance and policies are conducted annually, with the findings presented to the Board. Any recommendations arising from these reviews are implemented by members of the Senior Management Team and followed through at each relevant location. Regular health and safety inspections are carried out and necessary training provided, with a particular focus on our warehousing operations. Ongoing health and safety concerns and risk exposures are documented within monthly board packs and escalated to the Audit and Risk Committee, where relevant. This year there have been no incidents that have required reporting under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1993 (RIDDOR), which further proves the Group's commitment to maintaining employee safety.

ENVIRONMENTAL

The Group is committed to reducing energy consumption and waste to support environmental and financial performance. The following initiatives have been implemented to support this aim:

- The installation of sensored LED lighting throughout the high bay annexe facility at the Heron Mill site.
- The installation of LED lighting throughout our new office and showroom at our Cologne site.
- The recycling via two of our suppliers of waste paper, cardboard, pallet wrap from our warehousing operations and all redundant electrical appliances via WEEE regulations.

- The 'QA grading' initiative that recycles returned and unwanted products into spare parts that are then reused both internally and externally to save costs and speed up service time.

The Group continues to improve procedures around the recycling of commercial waste and strives to further improve on this next year.

CARBON EMISSIONS REPORTING

The greenhouse gas (GHG) statement below provides a summary of Ultimate Products' greenhouse gas (carbon) emissions each year from 1 August 2016 to 31 July 2018. It gives a summary of emissions from fuel combustion and the operation of our facilities, which include our offices, Fleet & Grey Fleet (Scope 1) and from our purchased electricity used during the year (Scope 2).

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

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

GHG emissions have increased over the previous year as the Heron Mill distribution facility was added during FY 17 and the Cologne showroom was added during FY 18.

Working with
OLDHAM ATHLETIC Community Trust
Providing sporting equipment to local schools

Strategic Report
Corporate Social Responsibility continued

YEARS	2018		2017	
	tCO_2e	tCO_2e/FTEE	tCO_2e	tCO_2e/FTEE
Scope 1				
Fuel combustion (natural gas, diesel and fleet vehicles)	432.3	1.8	249.2	1.1
Scope 2				
Purchased electricity	279.4	1.1	288.9	1.3
Statutory total (Scope 1 and 2)*	711.6	2.9	538.1	2.3
Group Metrics		**2018**		**2017**
Full time equivalent employee (FTEE) at 31 July		245		234

ASSESSMENT PARAMETERS

	Offices
Consolidation approach	Operational control
Boundary summary	All facilities under operational control were included.
Consistency with the Financial Statements	The use of the operational control approach causes a variation to those assets listed in our Financial Statements. The rented properties listed on our balance sheet we're not under our operational control and are therefore not included in our emissions table. However, approximately 4 (2017: 4) Fleet vehicles and 18 Grey Fleet, which were under our operational control, appear in our emissions table but not in our consolidated Financial Statements.
Emission factor data source	DEFRA (October 2016).
Assessment methodology	The Greenhouse Gas Protocol and ISO 14064-1 (2006).
Materiality threshold	Materiality was set at Group level at 5 %, with all facilities estimated to contribute >1 % of total emissions included.
Intensity ratio	Emissions per full time equivalent employee (FTEE).

The Strategic Report on pages 6 to 30 was approved by the Board of Directors on 5 November 2018.

Simon Showman
Chief Executive Officer
5 November 2018

Graham Screawn
Chief Financial Officer

CORPORATE GOVERNANCE

BELDRAY Airgility Max Cordless
Powers through dust and dirt effortlessly

Corporate Governance

Board of Directors

Independent Non-Executive Chairman

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

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

TERM OF OFFICE

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

EXTERNAL APPOINTMENTS

Non-Executive Chairman at Wynnstay Group plc and Non-Executive Chairman of Crawshaw Group plc.

COMMITTEE MEMBERSHIP

Nomination Committee (Chair)
Remuneration Committee
Audit and Risk Committee

Chief Executive Officer

Simon began his career working for an auctioneer before founding Ultimate Products in 1997. Initially a clearance business buying discontinued and excess stock, with investment from Barry Franks who became the majority shareholder, Simon was able to grow the business into the full service sourcing and importing operation we see today. During the early 2000s, Simon began to source regular products from countries around the globe such as Portugal, Vietnam and, in time, from China. This led to investment by Lloyds Development Capital (LDC), enabling Simon to become the Chief Executive Officer and largest management shareholder in 2005. As the Company grew, Simon was able to use his increasing knowledge to change the focus of the business in 2014, moving away from own label and unbranded products to fine-tuning key brands. This led to the buyout of LDC's shareholding using personal money and support from HSBC. Simon leads the Group's international expansion strategy and is directly responsible for the key trading functions of sales and buying, continuing to be the driving force behind the ongoing development of the Group, always striving for progression and innovation.

TERM OF OFFICE

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

OVERSEEING THE ACTIVITIES OF THE ORGANISATION

Managing Director

Andrew is a chartered accountant and started his career with Arthur Andersen where he held positions in audit and transaction support. In 1998, he transferred into industry, taking on the role of Finance Director & General Manager of Mersey Television, an independent television producer of continuing drama including Hollyoaks, Brookside and Grange Hill. He was a key member of their management team, which was backed by private equity investment from LDC in 2002, leading the sale of the business to All3Media in 2005. Andrew joined Ultimate Products in 2005, initially as Finance Director, and was an integral part of the management buyout team that year. In 2014, together with Simon Showman, he led the buyout of LDC using personal money and support from HSBC. At this point, Andrew was promoted to Managing Director. Andrew is currently responsible for online and non-trading functions including finance, supply chain, human resources, IT and legal.

TERM OF OFFICE

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

Chief Financial Officer

Graham is a chartered accountant and member of the Chartered Institute of Taxation. He started his career with KPMG where he began working in audit and latterly moved to tax advisory roles. In 1995, he made his first move into industry with Hilti, a specialist power tools Company. Here, he held various finance and business analysis roles before being promoted to Finance Director in 2006. He was also trustee of the Hilti defined benefit pension scheme. Graham joined Ultimate Products in 2010 as Finance Director, responsible for the finance function and all external finance relationships. In 2013 and 2016, Graham led the successful renewal of the Group's banking facilities with HSBC and the subsequent extensions of the facilities in 2017 and 2018.

TERM OF OFFICE

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

Corporate Governance

Board of Directors continued

Senior Independent Non-Executive Director

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

TERM OF OFFICE

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

COMMITTEE MEMBERSHIP

Remuneration Committee (Chair)
Audit and Risk Committee
Nomination Committee

Independent Non-Executive Director

Having been appointed Chief Finance Officer at Welcome Break Group last year, Robbie has since been promoted to Chief Executive Officer. Prior to that, and since 2009, he had been the Chief Financial Officer of Screwfix Direct Limited. Here he oversaw strong business growth, of more than £0.5 bn to over £1 bn, driven by impressive like-for-like growth and a strong development programme opening more than one store per week. As well as expansion into Germany, the multi-channel business now has over 500 sites in the UK. Screwfix is a subsidiary of Kingfisher plc, an FTSE 100 constituent.

Robbie was also previously the UK Finance Director of Travelodge between 2006 and 2008, with involvement in a number of Private Equity transactions. Having started his career at Whitbread plc, Robbie gained a broad range of retail exposure, with experience working with a number of their formats/brands, before moving to Tesco plc where he completed the acquisition and integration of a London-based convenience retailer.

TERM OF OFFICE

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

COMMITTEE MEMBERSHIP

Audit and Risk Committee (Chair)
Remuneration Committee
Nomination Committee

BARRY FRANKS (72)

Non-Executive Director

Barry Franks has 50 years' experience in the retail and wholesale trade. In the 1970s and 1980s, he was Managing Director of Parker & Franks, a North-West-based retailer and wholesaler with 35 stores and 500 employees at its peak. In 1990, Barry left Parker & Franks and founded Barimar, a clothing importer and supplier to UK and European retail. During this period, Barry built up substantial experience in discount retailing and sourcing from China and South Asia. In 1997, Barry invested in Ultimate Products alongside Simon Showman, becoming the majority shareholder. This subsequently led to an investment into the business by LDC in 2005 and, at this point, Barry became a Non-Executive Director. In 2014, Barry invested alongside Simon Showman and Andrew Gossage in the buyout of LDC's shareholding.

TERM OF OFFICE

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

COMMITTEE MEMBERSHIP

Nomination Committee

CHAIRMAN'S INTRODUCTION

I am pleased to present our Corporate Governance Report for the year to 31 July 2018. Good corporate governance provides the framework for the Board and its Committees to maintain an effective, controlled environment whilst monitoring and mitigating the risks faced by the Company as it pursues its strategy. This section of the Annual Report describes how the main principles of the 2016 UK Corporate Governance Code (the 'Code') have been applied during the year.

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

Information about the Board, its members and committees is also included in the report. There were no changes to the Board during the financial year, however, the Board has commenced the process to give consideration to the recently published 2018 Corporate Governance Code and the changes that will be required for compliance in the year ended 31 July 2020.

Further details of the Board's composition are given on pages 32 to 35 – BoD biographies.

James McCarthy
Chairman
5 November 2018

COMPLIANCE WITH THE CODE

Although prior to the Company's IPO in 2017 the Company was not required to comply with the Code, the Company's history included a significant period of private equity ownership during which time, and continuing thereafter, good governance has always been considered a fundamental prerequisite for the sustainable success of the business.

The Board has complied with all provisions of the Code for the year ending 31 July 2018.

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

THE BOARD

The Board currently has 7 members, comprising of three Executive Directors, a Non-Executive Chairman, two independent Non-Executive Directors and one non-independent Non-Executive Director. The Board reflects a good balance of skills and experience from operational, financial, sector-specific and general business backgrounds as described in the Directors' biographies set out on pages 32 to 35.

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

The Chairman's other significant interests have been disclosed to the Board along with changes arising since his appointment. These external appointments are noted on the Chairman's biography on page 32 and there have been no changes during the year. The Board are satisfied that other commitments of the Chairman and the other commitments of the Non-Executive Directors do not prevent them from devoting sufficient time to the Company.

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

The roles of Chairman and Chief Executive Officer are separate and there is a clear division of responsibilities between those roles. The Chairman is responsible for the leadership and governance of the Board and ensures the effective engagement and contribution of all Non-Executive

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

and Executive Directors. The Chairman also ensures that Board meetings are conducted with openness and challenge. The Chief Executive Officer has responsibility for all commercial activities of the Company including product development, sourcing and customer relationships, whilst the Managing Director has responsibility for the operational elements including supply chain, quality assurance, ethical and social compliance, human resources and IT.

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

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

ROLE OF THE BOARD

The Board is collectively responsible for the long-term success of the Group, determines the strategic direction of the Group and reviews operating, financial and risk performance. There is a formal schedule of matters reserved for the Board which have been considered and updated during the year and such matters include the approval of the Group's annual business plan, the Group's strategy, acquisitions, capital expenditure projects above certain thresholds, Financial Statements, the Company's dividend policy, changes to the capital and structure, borrowing powers, appointments to the Board, legal actions brought by or against the Group above certain thresholds, and the scope of delegations to Board committees, subsidiary boards and the management committee. Responsibility for the development of strategy and operational management is delegated to the Executive Directors with the support of the Group's Operating Board, which as at the date of this report includes the Executive Directors and six senior managers.

EVALUATION OF BOARD PERFORMANCE

The performance and effectiveness of the Board, its committees and individual Directors are evaluated each year, with the evaluation being facilitated externally at least every three years. This year the evaluation was carried out internally, led by the Chairman, who conducted a detailed and comprehensive evaluation process using individual interviews and written questionnaires. The results of the evaluation were shared with all members of the Board. Overall, the review found that the Board and its committees were functioning in an effective manner and performing satisfactorily, with no major issues identified.

Corporate Governance

Corporate Governance continued

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

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

TRAINING AND DEVELOPMENT

Although there were none in the year, on appointment to the board, Directors receive a tailored induction to introduce them to the Company's business, operations and governance arrangements. This has included tours to the Group's offices, showroom and distribution facilities, corporate governance training, provision of strategic, financial, product and market information and meetings with members of the Senior Management Team.

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

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

CONFLICTS OF INTEREST

The Articles allow the Board to authorise potential conflicts of interest that may arise from time to time, subject to certain conditions. The Company has appropriate conflict authorisation procedures, whereby actual or potential conflicts are considered and authorisations sought as appropriate.

There were no material conflicts of interest arising in the year ended 31 July 2018.

COMMITTEES OF THE BOARD

The Board has formally delegated specific responsibilities for audit, risk management and financial control, Board composition and remuneration to various committees, namely the Audit and Risk Committee, Nomination Committee and Remuneration Committee. These Committees are all chaired by an independent Non Executive Director or the Chairman, enabling them to take an active role in influencing and challenging the work of the Executive Directors and Senior Management Team. Details of the composition, responsibilities and activities of these Committees, are set out below.

The Terms of Reference of each of the committees were reviewed in the year and will be reviewed at least annually. The Terms of Reference of the committees of the Board are available on the Company's website www.upgs.com.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee assists the Board in discharging its responsibilities with regard to reviewing and monitoring the integrity of the financial information provided to shareholders, the Company's system of internal controls and risk management, the internal and external audit process and auditors, and the processes for compliance with laws, regulations and ethical codes of practice. The Audit and Risk Committee is chaired by Robbie Bell and its other members are James McCarthy and Alan Rigby.

The report of the Audit and Risk Committee is included on pages 42 to 47.

NOMINATION COMMITTEE

The Nomination Committee leads the process to enable the Board to satisfy its responsibilities relating to the composition and make up of the Board and its Committees so that it is effective and able to operate in the best interest of shareholders. It is also responsible for identifying potential candidates to be appointed as a Director or Committee member and makes appropriate recommendations to the Board. The Nomination Committee is chaired by James McCarthy and its other members are Alan Rigby, Robbie Bell and Barry Franks.

As at the date of this report, there have been no changes to the Board in the period since the Company's IPO.

The Nomination Committee believes diversity is important when considering the composition of the Board. It is the Company's aim to have the appropriate level of diversity on the Board to reflect the diverse nature of the Company's operations and provide a wider perspective to decision making. We remain committed to ensuring recruitment and promotion of individuals throughout the Group, including those at Board and senior management level, always considering relevant skills, experience, knowledge, ability, gender and ethnicity. At the date of this report, there was no female representation on the Board, but following promotions early in the year, 2 of the 9 members (2017 – 0 of 8) of the Group's Operating Board (22 %) were female.

More information on the Company's gender profile is included in Corporate and Social Responsibility on page 26.

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

In the period from 1 August 2017 to the date of this report, the Nomination Committee has completed the Board evaluation process, as referred to above, concluding that each Director continues to demonstrate the necessary knowledge and commitment to contribute effectively to the

Board and that the Board and its committees are functioning in an effective manner, performing satisfactorily, with no major issues identified. The Nomination Committee has commenced a review of the 2018 UK Corporate Governance Code and, in particular, the implications regarding the future composition of the Board and its committees.

Giving due consideration to succession planning for Directors and other senior executives is one of the duties of the Nomination Committee and in that regard, under the guidance of the Nomination Committee, and in conjunction with the Remuneration Committee, the Group is in the process of introducing a Senior Management Team Development Programme. The Programme will promote the development of talent from within, along with supporting succession planning and diversity for the Board.

REMUNERATION COMMITTEE

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

The Remuneration Committee Report is included on pages 47 to 78.

MEETINGS AND ATTENDANCE

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

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

In the year ended 31 July 2018, the number of scheduled meetings of the Board and of the Committees of the Board, along with the attendance of individual Directors, are set out in the table to the right:

GEORGE WILKINSON Iridescent Knife Set
Cuts through food in style

	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
James McCarthy	13	5	5	3
Simon Showman	12	-	-	-
Andrew Gossage*	13	-	1	-
Graham Screawn*	13	5	5	2
Alan Rigby	13	5	5	3
Robbie Bell	13	5	4	2
Barry Franks	10	-	-	1

* Andrew Gossage and Graham Screawn attended Board Committee meetings during the year by invitation.

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

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

SHAREHOLDER ENGAGEMENT

The Board is fully committed to open and constructive engagement with shareholders and, during the year, the Executive Directors carried out two investor roadshows to present to major existing and potential shareholders and to gain an understanding of their views. Furthermore, Equity Development Limited has been engaged since the year end to provide regular reports on the Group with such research being publicly available, including on the Group's website. The Company is considerate of the views of its major shareholders and commits to providing an accessible, professional approach and provision of timely and accurate data in its interactions with its shareholders. To ensure that the whole Board develop an understanding of the views of major shareholders about the Company, feedback is provided to the Board following shareholder contact and this understanding will continue to be developed going forward.

All shareholders are entitled to attend the AGM and can lodge their votes by way of proxy and/or to attend such meetings in person. They also have the opportunity to ask questions of the Board, including the Chairs of the Board Committees and to meet informally with the Directors to discuss any issues they may wish to raise.

MANAGING FINANCIAL REPORTING AND DISCLOSURE

Audit and Risk Committee Report

INTRODUCTION

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

GOVERNANCE

The Audit and Risk Committee's Terms of Reference are published on the Group's website and were reviewed during the year. The Audit and Risk Committee comprises the two Non-Executive Directors, Robbie Bell and Alan Rigby, along with the Company's Chairman, James McCarthy, who was considered independent on his appointment. The Board is satisfied that Robbie Bell has recent and relevant financial experience, as required by provision C.3.1 of the Code. The Board has determined that the current composition of the Audit and Risk Committee as a whole has competence relevant to the sector in which the Company operates. Biographical details relating to each of the Audit and Risk Committee members are shown on pages 32 and 34.

The Audit and Risk Committee has met five times during the year and further meetings have been held since the year end. The meetings are attended by all of the Audit and Risk Committee members and, by invitation, the Chief Financial Officer and other senior employees of the Group, along with representatives from the external auditors. Attendance of members is shown in the table on page 41. In addition, the Audit and Risk Committee has also met with the external auditor without the Executive Directors present.

As referred to on page 39 to 40, the performance and effectiveness of the Audit and Risk Committee was evaluated by the Board during the year and was found to be functioning in an effective manner, performing satisfactorily, with no major issues identified.

ROLE AND RESPONSIBILITIES

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

- monitoring the integrity of the annual and interim Financial Statements and formal announcements relating to the Group's financial performance, and reviewing any significant financial reporting estimates, judgements and disclosures that they contain;
- if requested by the Board, providing advice on whether the Annual Report and Accounts are fair, balanced and understandable;

- reporting to the Board on the appropriateness of the Group's accounting policies and practices;
- if requested by the Board, ensuring that a robust assessment of the principal risks facing the Company is undertaken and providing advice on the management and mitigation of those risks;
- reviewing and monitoring the effectiveness of the Group's internal control and risk management systems;
- whilst the Company has no internal audit function, considering at least annually the need for an internal audit function, reporting its recommendation and reasons thereof to the Board;
- making recommendations to the Board in relation to the appointment and removal of the external auditor and approving its remuneration and terms of engagement;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process;
- reviewing the policy on the engagement of the external auditor to supply non-audit services;
- reviewing and monitoring the appropriateness of the Group's whistle-blowing and anti-bribery procedures; and
- reporting to the Board on how it has discharged its responsibilities.

ACTIVITIES OF THE AUDIT AND RISK COMMITTEE

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

- reviewed and discussed with the external auditor the key accounting considerations, estimates and judgements reflected in the Group's results for the six month period ended 31 January 2018;
- reviewed and agreed the external auditor's audit strategy memorandum in advance of its audit for the year ended 31 July 2018, including a statement on its independence and objectivity;
- agreed the terms of engagement and fees to be paid to the external auditor for the audit of the 2018 Financial Statements;
- received and reviewed reports from management regarding their approach to key accounting considerations, estimates and judgements in the Financial Statements for the year ended 31 July 2018;
- discussed the report received from the external auditor regarding its audit in respect of the year ended 31 July 2018;
- reviewed the half-year and full-year Financial Statements;

- reviewed the Group's principal risks together with the processes for mitigating these risks, assigning appropriate actions with reference to the external environment;
- reviewed the effectiveness of the Group's internal control systems, including reviewing the key control cycles and carrying out internal substantive testing on the cycles;
- considered the appropriateness of the Group's whistle-blowing procedures; and
- considered the Group's procedures in relation to the new General Data Protection Regulation (GDPR) including ongoing responsibilities.

At the request of the Board, the Audit and Risk Committee also considered whether the Annual Report and Accounts for the year ended 31 July 2018, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Following enquiry into, and discussion of management's processes in this regard along with consideration of the draft Annual Report and Accounts, the Audit and Risk Committee recommended to the Board that it could make the required disclosure as set out in the Directors' Responsibilities Statement on pages 85 and 86.

SIGNIFICANT ISSUES

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

Significant issues	How the issue was addressed
Revenue recognition As referred to more fully on page 111, the Group has various revenue streams which have different recognition policies. As revenue recognition is a key accounting topic, the Audit and Risk Committee required comfort that the Group's revenue recognition policy was appropriate.	The Audit and Risk Committee has reviewed and considered the revenue recognition policy of the Group for each material revenue stream and was satisfied, upon detailed discussion, that the policy was both appropriate and contained the relevant internal controls to ensure that revenue was correctly recognised.
Customer rebates and discounts ('Rebates') Estimation is required in the determination of the rebates and discounts provision at the year end and the resultant reduction in revenue. Estimates are required as there are not always formal agreements in place and calculations can be complex, with varying criteria, such that estimation is required.	The Audit and Risk Committee has reviewed and challenged management on the approach taken to determining the level of provision required for Rebates. Having also liaised with the external auditors, the Audit and Risk Committee was satisfied with the approach taken and the level of provision included within the Financial Statements.

Significant issues	How the issue was addressed
Inventory Inventory is a significant asset on the balance sheet and contains a significant element of 'free stock' (i.e. not held specifically against customer orders or call-off demand forecasts). The stock provision is complex and requires a substantial level of estimation. In addition, estimation is applied in determining the amount of overhead to be absorbed into stock.	The Audit and Risk Committee has reviewed and considered the inventory provisioning policy and confirmed that the approach taken is both consistently applied and based upon system data and management's best estimates given their knowledge of the business. Overhead absorption rates are reviewed annually. Having considered reports from management on the methodology applied, and having also liaised with the external auditors, the Audit and Risk Committee was satisfied that the level of overhead absorption was appropriate.

REVIEW OF RISK MANAGEMENT AND INTERNAL FINANCIAL CONTROLS

The Audit and Risk Committee has conducted a robust assessment of the principal risks faced by the business and the mitigating factors in force, along with an in-depth review of the internal financial controls.

An initial assessment of the Group's principal risks was completed in September 2017. This assessment included discussions with Executive and Non-Executive Directors and members of the Senior Management Team to consider the risks faced by the business, along with the existing mitigating factors in place. The potential impact and likelihood of the risks highlighted were assessed by the Audit and Risk Committee to arrive at the principal risks. A review of the principal risks was conducted in July 2018, incorporating an update on the movements in impact and likelihood of each and progress on mitigating actions. The principal risks and uncertainties of the Group and their mitigation are included on pages 19 to 23 and the crystallisation of these risks has been considered in the Viability Statement on page 24 and the Going Concern assessment on page 83 and 84.

As part of the overall review of internal financial controls, the Audit and Risk Committee identified nine key cycles and planned and prioritised their review and assessment. Since the IPO and at the time of writing, all nine cycles have been documented, reviewed and assessed.

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

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

INTERNAL AUDIT

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

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

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

EXTERNAL AUDIT

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

The Audit and Risk Committee intends to comply fully with the FRC Audit and Risk Committee Guidance regarding the frequency of audit tender and there is currently no plan to tender the audit for the year ending 31 July 2019.

The independence and objectivity of the auditor is regularly considered by the Audit and Risk Committee, taking into consideration relevant UK professional and regulatory requirements. The Audit and Risk Committee reviews an annual statement from the auditor detailing their independence policies and safeguards and confirming their independence, taking into account relevant ethical guidance regarding the provision of non audit services by the external auditor. The Audit and Risk Committee has considered and approved the terms of engagement and fees of the external auditor for the year ended 31 July 2018. Audit fees payable by the Group to BDO LLP and its International network in the year ended 31 July 2018 totalled £61,000 (2017: £59,000). There were no contingent fee arrangements.

The Audit and Risk Committee reviewed the level of non audit services and fees provided by BDO LLP. For the year ended 31 July 2018, these totalled £10,000 in respect of half-year assurance services. There have been no other non audit services provided by BDO LLP during the year. The ratio of audit fees to non audit fees for the year ended 31 July 2018 is 6.1:1.

The Audit and Risk Committee is required to consider and review the effectiveness of the external auditor on an annual basis and report its findings and recommendations to the Board. The assessment of effectiveness was completed by means of an ongoing process of review throughout the year with the Audit and Risk Committee seeking assurances and understanding of the auditor's approach to the audit. In particular, the Audit and Risk Committee reviewed and approved the external auditor's plan for undertaking the half-year review and year-end audit, including the scope of their work and their proposed approach to key risk areas identified. The Audit and Risk Committee also reviewed the detailed reports prepared by the external auditor setting out their findings from the half-year review and year-end audit. The Audit and Risk Committee recommends that a resolution for the reappointment of BDO LLP as the Company's auditor should be proposed at the forthcoming AGM.

Robbie Bell

Chairman of the Audit and Risk Committee

5 November 2018

LETTER FROM THE CHAIR OF THE REMUNERATION COMMITTEE

INTRODUCTION

As Chair of the Remuneration Committee and on behalf of the Board of Directors, I am delighted once again to present our report on remuneration for FY 18.

The first part of this report contains our Remuneration Policy, which was approved by shareholders at the 2017 AGM and took effect from that date. The Remuneration Committee has reviewed the continuing suitability of the Remuneration Policy and proposes no changes to this at the current time.

The second part of this report describes the remuneration of Directors in 2018. The report complies with the relevant provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulation 2008 (as amended). The report has also been prepared in line with the recommendations of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules, as well as with due consideration to guidance provided by investors including the Investment Association's Principles of Remuneration.

I would like to take the opportunity to thank our shareholders for their support in approving the Remuneration Policy proposed at the 2017 AGM and in continuing to provide their valued input and comments on the Group's approach to remuneration. The Remuneration Committee places great weight on the views of our investors and continues to welcome dialogue with interested parties.

Once again, I would also like to thank my two colleagues on the Remuneration Committee, James McCarthy and Robbie Bell, who have worked hard to ensure that the Group continues to take a diligent, robust and positive approach in determining the application of the Remuneration Policy. In addition to attending the five formal meetings of the Remuneration Committee in FY 18, I have been grateful for their ongoing input and support on a frequent basis throughout the year.

OUR APPROACH TO REMUNERATION

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

We seek to reinforce the culture of long-term value creation within the Group and to maximise alignment between the Group's employees and its shareholders. We are grateful to have the support of the Executive Directors, broader employee base and our shareholders in adopting this approach.

CONTEXT AND KEY REMUNERATION COMMITTEE DECISIONS ON REMUNERATION

Having received shareholder support for the Group's first Remuneration Policy at the 2017 AGM, the Remuneration Committee has sought to ensure firm adherence to this policy in FY 18 and to adopt the principles of robust corporate governance that the entire Board of Directors are committed to demonstrating.

The Remuneration Committee set stretching performance targets for the Executive Directors' annual bonuses for FY 18. Notwithstanding the considerable progress made in the year in many aspects of the Group's business, the EBITDA underpin attached to the bonus was not satisfied and, as such, the Remuneration Committee awarded no annual bonuses to Executive Directors for the year. The Executive Directors have acknowledged that the Group's performance in the year has fallen short of the expectations of investors at the time of the IPO and those of the Board itself, and have supported the Remuneration Committee's decision that it would not be appropriate to pay any bonuses in respect of FY 18. Despite the challenging UK trading environment, which has played a dominant role in the disappointing EBITDA numbers, the Remuneration Committee has nonetheless been impressed with the commitment and focus of the Executive Directors in delivering long-term shareholder value for the benefit of all investors and stakeholders.

As indicated previously, the Remuneration Committee decided not to make any awards under the Performance Share Plan (PSP) during 2018 due to the proximity to the long-term incentive awards made under the MIP at the time of the IPO.
As planned, PSP awards for FY 19 will be considered by the Remuneration Committee in order to incentivise the Executive Directors to drive performance in the financial years FY 20, FY 21 and FY 22. If PSP awards are made in FY 19, the Remuneration Committee will attach challenging performance conditions in compliance with the Remuneration Policy.

The Remuneration Committee recognises that the success of the Group will be dependent upon all of its workforce and is currently working to ensure that all of its people are adequately incentivised to deliver the growth and profitability that the Group's strategy requires. To this end, the Company has proposed a

I would like to take the opportunity to thank our shareholders for their support in approving the Remuneration Policy proposed at the 2017 AGM and in continuing to provide their valued input and comments on the Group's approach to remuneration.

shareholder resolution for the 2018 AGM to adopt a Save As You Earn plan to enable all of the Group's employees to participate in the future success of the business and to continue to build on the loyalty and dedication shown by all of our people.

To facilitate the potential PSP awards in FY 19 and beyond, and in accordance with the shareholder resolutions passed at the 2017 AGM, the Company has now established the UP Global Sourcing Employee Benefit Trust (EBT) and, following a competitive tender process, appointed RBC cees Trustee Limited (a division of Royal Bank of Canada based in Jersey) as first trustee of the EBT.

During FY 18, the Remuneration Committee conducted a review of the salary and benefits of all Executive Directors. It was determined that the salary of Simon Showman and Andrew Gossage should remain unchanged, with a market-related increase to the salary of Graham Screawn effective from 1 March 2018. Other than the pension contributions of Graham Screawn, which increased in line with his salary, all other benefits remained unchanged.

The Remuneration Committee has overseen the development of a Senior Management Team Development Programme during 2018, aimed at ensuring that senior leaders across the business have the skills to equip them to deliver the ambitious growth plans of the Group in the years ahead and to provide the Group with the pipeline of senior talent that it will require. We have been encouraged by the enthusiasm with which the Programme has been received across the Group's population of senior management and executives and are excited to see the results as the Programme gets underway on 1 December 2018.

As always, I value the views of all of our investors on remuneration and continue to welcome our shareholders to discuss any aspect of this report with me at any time.

A Rigby

Alan Rigby

Chair of the Remuneration Committee

5 November 2018

The development of future leaders is a key element of our succession planning, and leadership development is crucial to the future success of the business. These plans are regularly monitored, discussed and updated to align with the evolving leadership needs of the business and allow the business to grow.

REMUNERATION POLICY

1. INTRODUCTION

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

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

The Ultimate Products Executive Remuneration Policy (the 'Remuneration Policy') has been designed to comply with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the UK Listing Authority's Listing Rules. Due consideration has also been given to the recommendations of the UK Corporate Governance Code and to guidance provided by investors including the Investment Association's Principles of Remuneration.

This Remuneration Policy was approved at, and takes effect from, the 2017 Annual General Meeting and is intended to remain in place for three years. Following the approval of the Remuneration Policy, the Group has only made, and will only make remuneration payments to current or prospective Directors, or payments for loss of office if the payment is in line with the Remuneration Policy. If the Remuneration Committee wishes to change the Remuneration Policy within this period, or is required to do so, it will submit a revised Remuneration Policy to shareholders for approval.

2. SUMMARY OF COMPONENTS OF EXECUTIVE DIRECTORS' REMUNERATION

FIXED REMUNERATION: SALARY

Element, purpose and link to strategy	To provide an appropriate amount of basic fixed income to enable the recruitment and retention of individuals who can facilitate the achievement of the Group's strategy.
Operation	The Remuneration Committee reviews base salaries on an annual basis, taking into account: • absolute and relative Group profitability; • any changes to the scope of each role and its responsibilities; • any changes to the size and complexity of the Group; • salaries in comparable organisations; • pay increases elsewhere in the Group; and • the impact of any increases to base salary on the total remuneration package.
Maximum opportunity	The Remuneration Committee has set no overall maximum on salary increases, as it believes that this creates an anchoring effect for Executive Directors and other employees. In most circumstances, salary increases for Executive Directors will not exceed the average increase awarded to other employees in the Group. Increases above this level will only be granted in exceptional circumstances including (without limitation): • a material increase to the responsibilities attaching to a role; • a material increase in the scope of a role; • a promotion to a different role; • where a salary has fallen out of step with market norms; or • where an Executive Director has been recruited on a below-market salary and the Remuneration Committee is gradually transitioning that person to a market rate.
Performance measures	None, although the Remuneration Committee takes into account individual performance, skills and experience when setting and reviewing salaries.

2. SUMMARY OF COMPONENTS OF EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

FIXED REMUNERATION: BENEFITS

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

FIXED REMUNERATION: RETIREMENT PROVISION

Element, purpose and link to strategy	To provide an income for Executive Directors in their retirement and enable the Group to recruit and retain suitable individuals by aligning their overall package with those offered by competitors for talent.
Operation	The Group operates a defined contribution pension plan in which the Executive Directors are eligible to participate and may provide contributions to the Executive Directors' personal pension arrangements or a cash allowance in lieu of pension contributions.
Maximum opportunity	The Executive Directors currently receive 12 % of salary as a contribution to their pension arrangements (or as an equivalent cash allowance). The Remuneration Committee notes market practice in this area and recognises that this level of contribution may at some stage become insufficient to recruit or retain the individuals required to implement its strategy and, although it has no current plans to increase the levels of contributions, the Remuneration Committee reserves the right to increase this to a level of no more than 20 % of salary under this Remuneration Policy, should this be considered necessary and proportionate.
Performance measures	None.

VARIABLE REMUNERATION: ANNUAL BONUS PLAN

Element, purpose and link to strategy	To incentivise Executive Directors to deliver the Group's corporate strategy by focusing on annual goals that are consistent with longer-term strategic objectives and rewarding the delivery of exceptional performance.

2. SUMMARY OF COMPONENTS OF EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

VARIABLE REMUNERATION: ANNUAL BONUS PLAN (CONTINUED)

Operation	Annual bonus targets are reviewed and set on an annual basis to ensure that they: • align with the Group's long-term strategy; • are focused on the Group's immediate strategic priorities; • are appropriate given broader market conditions; and • remain stretching. Payout levels are determined by the Remuneration Committee after the year end, based upon a rigorous assessment of performance against the targets. To further align the interests of Executive Directors with those of shareholders, bonuses will be paid 70 % in cash, with 30 % deferred into shares that vest in three equal tranches after one, two and three years. To hedge against share price increases and avoid dilution, the deferred element of the bonus is used to purchase shares in the market; these are then held by an employee benefit trust until vesting. The value of any dividends during the deferral period will be payable to the Executive Directors upon vesting. In exceptional circumstances, the Remuneration Committee may determine that the deferred element of the bonus is to be held as cash rather than shares, where the Remuneration Committee considers that such alternative arrangements would be in the best interests of the Group and its shareholders, for example, if the acquisition of further shares by an Executive Director would trigger a mandatory offer under Rule 9 of the City Code on Takeovers and Mergers. Malus provisions apply for the duration of the performance period and to shares or cash held under the deferral arrangements, allowing the Remuneration Committee to reduce to zero any unvested or deferred awards. Clawback provisions apply to cash amounts paid and shares or cash released for three years following payment or release (as the case may be), allowing the Remuneration Committee to claim back all or part of any amount paid or released.
Maximum opportunity	The maximum annual bonus opportunity that can be earned for any year is capped at 125 % of base salary in the case of the Chief Executive Officer and Managing Director and 100 % of base salary in the case of any other Executive Director.

Performance measures	An annual bonus opportunity of up to: • 100 % of base salary in the case of the Chief Executive Officer and Managing Director; and • 75 % in the case of any other Executive Director, may be granted by the Remuneration Committee, such bonus to be conditional upon the achievement of an EBITDA-based target and such other financial target (if any) as the Remuneration Committee considers appropriate (subject always to an EBITDA underpin). An annual bonus opportunity of up to a further 25 % of base salary may be granted by the Remuneration Committee, such bonus to be conditional upon the achievement of stretching, specific and measurable strategic and/or individual objectives. Irrespective of the achievement of the strategic and/or personal targets, no part of the bonus shall be payable unless a threshold level of the EBITDA-based target is achieved. Achievement of the maximum level of vesting will require significant financial out-performance above the budget set for the year, with full vesting requiring performance 30 % above target EBITDA levels. The Remuneration Committee is of the opinion that, given the commercial sensitivity of the detailed performance measures used for the annual bonus plan, disclosing precise targets in advance would not generally be in the interests of the Group or its shareholders. Actual targets, performance levels achieved and the resulting payments made will therefore be disclosed, in most circumstances, retrospectively at the end of the performance period. Malus and/or clawback provisions may be triggered in the following scenarios: • if the assessment of any performance condition was based upon error or inaccurate or misleading information; • if a material misstatement is discovered that results in the audited accounts of the Group being adjusted; or • in the event of any action or conduct of a participant that amounts to fraud or gross misconduct.

2. SUMMARY OF COMPONENTS OF EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

VARIABLE REMUNERATION: PERFORMANCE SHARE PLAN (PSP)

Element, purpose and link to strategy	To incentivise Executive Directors to focus on the long-term strategic objectives of the Group and to deliver sustainable shareholder value, aligning their interests with the interests of shareholders.
Operation	Awards may be granted annually under the PSP and will consist of rights over shares, calculated as a percentage of base salary. Vesting is subject to the Group's performance, measured over three years and is followed by a holding period in respect of 40 % of the vested shares, of which one half are released after a one-year holding period and one half after a two-year holding period. Any shares purchased to satisfy PSP awards will be held by an employee benefit trust until vesting. Dividend equivalents are payable in respect of the shares that vest. Malus provisions apply for the duration of the performance period and shares held under the deferral arrangements, allowing the Remuneration Committee to reduce to zero any unvested or deferred awards. Clawback provisions apply until two years after the date upon which any entitlement becomes unconditional, allowing the Remuneration Committee to claim back all or part of the value of any shares vested. Awards may be structured as nil-cost options, conditional awards of shares or may be delivered through a joint share ownership plan structure, as the Remuneration Committee considers being most appropriate in the circumstances. The principal terms of the PSP were submitted to and approved by shareholders at the 2017 AGM. Senior employees who are not Executive Directors may be invited to participate in the PSP at the discretion of the Board.
Maximum opportunity	The maximum PSP award opportunity per Executive Director, in respect of any financial year, is limited to rights over shares with a market value at grant of 100 % of base salary. No Executive Director granted an award under the MIP (see below) may be granted an award under the PSP prior to 1 August 2018.

Performance measures	The vesting of all awards made under the PSP is dependent upon performance conditions based upon: • EPS growth (50 % weighting); • gross profit margin (15 % weighting); • leverage (net debt to underlying EBITDA ratio) (10 % weighting); and • a maximum of two strategic or individual objectives (25 % weighting). The Remuneration Committee believes the chosen metrics are suitably aligned with the Group's strategy and are focused on delivering long-term growth and shareholder return. 25 % of an award vests for threshold performance. 100 % of an award vests for stretch performance. For performance between the threshold and maximum, an award vests on a straight-line basis. The Remuneration Committee is of the opinion that, given the commercial sensitivity of the detailed performance measures used for the PSP, disclosing precise targets for those conditions would often not be in the interests of the Group or its shareholders. Actual targets, performance levels achieved and the resulting payments made will therefore generally be disclosed retrospectively at the end of the performance period, unless the Remuneration Committee considers that any particular targets are not commercially sensitive. Malus and/or clawback provisions may be triggered in the following scenarios: • if the assessment of any performance condition was based upon error or inaccurate or misleading information; • if a material misstatement is discovered that results in the audited accounts of the Group being adjusted; or • in the event of any action or conduct of a participant that amounts to fraud or gross misconduct.

Employees are very active with participating in fundraising and seeking out local good causes that the Group can help, support and make a difference to those that require it.

2. SUMMARY OF COMPONENTS OF EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

VARIABLE REMUNERATION: MANAGEMENT INCENTIVE PLAN (MIP) – (EXISTING AWARDS)

Element, purpose and link to strategy	To reward and incentivise key employees through the IPO process and motivate them to deliver successful post-IPO performance for investors.
Operation	Awards under the MIP were made to the Executive Directors and other senior executives immediately prior to the IPO, as disclosed in the IPO prospectus. The Remuneration Committee is of the opinion that the MIP awards were an appropriate arrangement for the Group at the time of the IPO but the MIP is not an optimal arrangement for ongoing use and as such, no further awards will be made under the MIP. The awards made under the MIP will vest in 2020, with the first round of awards made under the PSP then vesting in 2021 (with a proportion of the shares subject to a holding period until 2022 and 2023). The Remuneration Committee believes that this timetable of staged vesting ensures continued incentivisation of Executive Directors and will aid retention after the MIP awards vest.
Maximum opportunity	Holders of awards granted under the MIP are entitled, collectively, to 15 % of the Group's growth in value above a hurdle set at 30 % above Ultimate Products' IPO share price. The total aggregate value of the awards is capped at a value of 6.25 % of Ultimate Products' issued share capital on the date of the IPO.
Performance measures	None, other than Ultimate Products' share price growth exceeding the hurdle, as disclosed under the 'maximum opportunity' section of this table.

VARIABLE REMUNERATION: ALL-EMPLOYEE SHARE PLANS

Element, purpose and link to strategy	To align the broader employee base with the interests of shareholders and aid recruitment and retention.
Operation	The Group does not currently operate any all-employee share plans such as SAYE[1] or SIP. If in future the Group does operate such schemes, then Executive Directors would be entitled to participate on the same basis (and subject to the same maximums) as other Group employees. [1] A resolution to approve the adoption of an all-employee Save As You Earn plan has been proposed for shareholder approval at the 2018 AGM.
Maximum opportunity	In line with HMRC limits in force from time to time.
Performance measures	None.

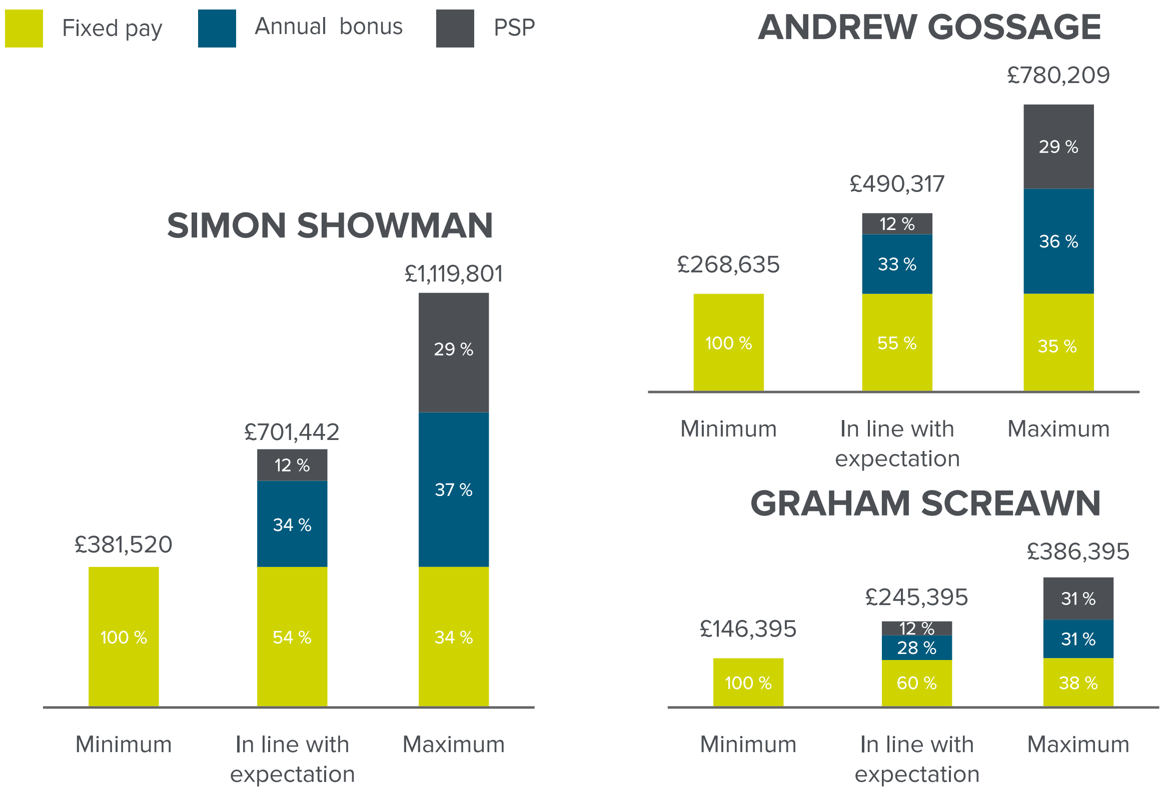
OTHER: SHAREHOLDING GUIDELINES

Element, purpose and link to strategy	To create alignment between the Executive Directors' interests and those of shareholders.
Operation	The Remuneration Committee expects all Executive Directors, within a period of five years from appointment, to build up a meaningful shareholding in Ultimate Products.
Maximum opportunity	The Chief Executive Officer and Managing Director will be required to build up interests in the Group's shares worth 250 % of base salary. All other Executive Directors will be required to build up interests in shares worth 125 % of base salary.
Performance measures	None.

Corporate Governance

Remuneration Committee Report continued

ILLUSTRATIONS OF APPLICATION OF REMUNERATION POLICY



Three scenarios have been illustrated for each Executive Director:

	Fixed Pay	Annual Bonus	PSP
Minimum performance	Fixed elements of remuneration – base salary, car allowance, benefits and pension only. Base salary is the last known salary (i.e. the salary effective from 1 November 2018 and the value for benefits has been calculated as per the single figure table on page 66.	No bonus	No PSP vesting
Performance in line with expectations		72.5 % of base salary for achieving target performance (57.5 % in respect of Graham Screawn).	25 % of maximum award vesting (i.e. 25 % of base salary for achieving target performance)
Maximum performance		125 % of base salary for achieving target performance (100 % in respect of Graham Screawn).	100 % of maximum award vesting (i.e. 100 % of base salary for achieving target performance)

3. STATEMENT OF CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

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

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

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

4. STATEMENT OF CONSIDERATION OF SHAREHOLDERS' VIEWS

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

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

During the consultation process, shareholders expressed a strong preference for the Committee to demonstrate transparency in all aspects of the operation of the Remuneration Policy, including the determination and assessment of performance conditions. The Committee agrees that such transparency is a legitimate interest of shareholders and intends to provide maximum disclosure in all circumstances, except where such disclosure would materially prejudice the interests of the Group.

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

5. RECRUITMENT REMUNERATION

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

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

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

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

The maximum level of annual variable pay, which may be awarded to a new Executive Director, will be in line with the maximum amounts specified in the Annual Bonus Plan and PSP, as set out in the above, being a total of 225 % of salary. For the avoidance of doubt, this excludes the value of any buyout payments associated with forfeited awards.

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

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

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

6. SERVICE AGREEMENTS AND TERMINATION PAYMENTS

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

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

- The Remuneration Committee shall be guided by the core principle of seeking an outcome that is in the best interests of the Group and its shareholders and shall take into account all of the circumstances of the termination.
- If the termination is as a result of death, illness, disability, redundancy, retirement or any other exceptional circumstance that the Remuneration Committee considers to be analogous to the foregoing (a 'Good Leaver Reason'), the Remuneration Committee shall consider making a payment to the Executive Director under the Annual Bonus Plan. This would normally be prorated for the period worked during the financial year and any amount of bonus deferred (whether held in shares or cash) will normally be released immediately.
- If the termination is as a result of anything other than a Good Leaver Reason, no payment will be made under the Annual Bonus Plan on cessation of employment of an Executive Director and any amount of bonus deferred (whether held in shares or cash) will normally not be released until the end of the usual deferral periods.
- If the termination is as a result of a Good Leaver Reason, PSP awards will normally vest at the normal vesting date, prorated for time served and remaining subject to the original performance conditions. Any shares held for the compulsory holding period (i.e. after the end of the performance period) will vest immediately;
- If the termination is as a result of anything other than a Good Leaver Reason, any PSP awards will lapse in full.
- In the event of a compromise or settlement agreement, the Remuneration Committee shall consider agreeing to reasonable payments in respect of the settlement of legal claims, including any compensation relating to the breach of the Executive Director's statutory or contractual rights and in respect of any reasonable professional fees incurred by the individual in relation to the agreement.

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

7. CHANGE IN CONTROL

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

i. the extent to which the Remuneration Committee considers that the performance conditions have been satisfied; and

ii. time apportionment in accordance with the rules of each plan.

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

8. FEES RETAINED FOR EXTERNAL NON-EXECUTIVE DIRECTORSHIPS

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

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

9. DISCRETION

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

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

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

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

10. LEGACY AGREEMENTS

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

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

11. TERMS AND CONDITIONS OF NON-EXECUTIVE DIRECTORS

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

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

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

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

REMUNERATION REPORT

SINGLE TOTAL FIGURE OF REMUNERATION FOR EACH DIRECTOR (AUDITED)

The table below sets out in a single figure the total remuneration, including each element, received by each of the Directors for the years ended 31 July 2018 and 31 July 2017:

	Basic Salary/Fees [1] 2018 £	All Taxable Benefits 2018 £	Bonus 2018 £	LTIP [4] 2018 £	Pension 2018 £	Total 2018 £
Executive Directors						
S Showman	380,000	1,520	-	-	-	381,520
A Gossage	257,150	1,485	-	-	10,000	268,635
G Screawn [2]	132,967	1,995	-	-	4,900	139,862
Non-Executive Directors						
A Rigby	45,000	-	-	-	-	45,000
J McCarthy	75,000	-	-	-	-	75,000
R Bell	50,000	-	-	-	-	50,000
B Franks	40,000	4,502	-	-	-	44,502
	980,117	**9,502**	**-**	**-**	**14,900**	**1,004,519**

	Basic Salary/Fees [1] 2017 £	All Taxable Benefits 2017 £	Bonus 2017 £	LTIP [4] 2017 £	Pension 2017 £	Total 2017 £
Executive Directors						
S Showman	380,000	2,958	1,051,333	-	-	1,434,291
A Gossage	257,150	3,072	701,022	-	10,000	971,244
G Screawn [2]	115,000	1,494	-	1,049,594	845	1,166,933
D Bloomfield [3]	53,500	607	-	-	1,035	55,142
Non-Executive Directors						
A Rigby [5]	26,250	-	-	-	-	26,250
J McCarthy [5]	43,750	-	-	-	-	43,750
R Bell [5]	29,166	-	-	-	-	29,166
B Franks	55,129	3,945	-	-	-	59,074
	959,945	**12,076**	**1,752,355-**	**1,049,594**	**11,880**	**3,785,850**

[1] Included within salary above are the following amounts of pension contributions from the remuneration package that were paid as salary.

	2018 £	2017 £
Executive Directors		
S Showman	39,375	39,375
A Gossage	17,284	17,284
G Screawn	8,800	5,500
	65,459	**62,159**

[2] The amount shown as base salary for G Screawn includes the impact of a pay increase effective from 1 March 2018.
[3] The amounts shown for the year ended 31 July 2017 reflect that D Bloomfield resigned as a statutory director on 30 January 2017.

[4] There were no LTIP awards in the year ended 31 July 2018. In the year ended 31 July 2017, the value included relates to the exercise of options granted under an Enterprise Management Incentive plan established 12 June 2014, of which G Screawn was a participant. G Screawn had 2,054 options to acquire B ordinary shares in UP Global Sourcing Holdings plc for an exercise price of £1 per share which, following exercise, were redesignated into 821,600 ordinary shares with a market value of £1.28 per share – being the offer price on the date of the IPO.
[5] Amounts included for Non-Executive Directors in the year ended 31 July 2017 include payments made in relation to work completed towards the IPO, which was pre-appointment. Further details are given in the 'Non-Executive Director Fees' section below.

INDIVIDUAL ELEMENTS OF REMUNERATION

BASE SALARY

As noted in the 2017 Remuneration Report, the base salaries of the individual Executive Directors were reviewed and set on 1 March 2017 by the Remuneration Committee, with reference to the scope of the role and the markets in which the Group operates. The experience of the individual was also considered, along with the pay levels in similar organisations. Base salaries of the individual Executive Directors are reviewed annually with reference to performance and the above-mentioned criteria. The Remuneration Committee reviewed the executives' salaries and awarded an increase in the base salary for G Screawn with effect from 1 March 2018.

From 1 March 2018, the base salaries of the Executive Directors will be as follows, including comparison to the previously agreed rates

	Base Salary 1 March 2017 £	Base Salary 1 March 2018 £	Increase %
Executive Directors			
S Showman	340,625	340,625	-
A Gossage	239,866	239,866	-
G Screawn	120,000	130,000	8.33

The salaries noted above include amounts for car allowance: S Showman £12,500; A Gossage £12,500 and G Screawn £10,000.

TAXABLE BENEFITS

Each Executive Director is entitled to medical expenses insurance. In the year ended 31 July 2017, the amount also included a notional charge relating to pre-IPO taxable benefits, no such amounts were paid in the year ended 31 July 2018.

PENSION BENEFITS (AUDITED)

The Group operates a defined contribution pension scheme, which the Directors are eligible to participate in. The Executive Directors currently receive 12 % of their salary (excluding any car allowance) as a contribution to their pension arrangements or the equivalent as a cash allowance. In the year ended 31 July 2018 each of the Executive Directors took the option to receive a cash allowance as follows; S Showman received £39,375 (2017 – £39,375), A Gossage received £17,284 (2017 – £17,284) and G Screawn received £8,800 (2017 – £5,500).

The contracts of employment for the Executive Directors do not define a normal retirement age and given the arrangements in place, the Executive Directors have not accrued pension entitlements at 31 July 2018 (2017 – £nil).

NON-EXECUTIVE DIRECTOR FEES

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

The fees payable to the Non-Executive Directors are determined by the Board in light of independent surveys of fees paid to Non-Executive Directors of comparable companies and with regard to the time commitment and responsibilities involved.
No increase was applied to fees payable in the year ended 31 July 2018, however, on a subsequent review by the Board, the fees payable to Alan Rigby for his services as Chair of the Remuneration Committee were increased with effect from 1 October 2018 from £5,000 to £10,000 per annum.

The fees applied in the year ended 31 July 2018 are based upon the structure proposed and passed on 1 March 2017. The initial agreed fee for J McCarthy is £75,000 per annum in respect of services as Independent Non-Executive Chairman and in respect of services as chair of the Nominations Committee. The annual fee for A Rigby is agreed initially at £40,000 per annum in respect of services as Senior Independent Non-Executive Director and £5,000 in respect of services as Chair of the Remuneration Committee, which as noted above has increased to £10,000 with effect from 1 October 2018.
The initial agreed fee for R Bell is £40,000 per annum in respect of services as Non-Executive Director and £10,000 in respect of services as Chair of the Audit and Risk Committee. The agreed fee for B Franks was agreed initially at £15,000 in respect of services as Non-Executive Director, including a one-day-per-month time commitment. From 6 April 2017, this increased to £40,000, with a two-day-per-month time commitment. Fees were also paid to his service company of £nil (2017 – £32,083) and medical expenses insurance was provided as a taxable benefit of £4,502 (2017 – £3,945).

In the year to 31 July 2017, the Remuneration Committee agreed on the payment of additional sums to three of the Non-Executive Directors for work carried out in the lead-up to the IPO. The agreed sums were £12,500 for J McCarthy, £7,500 for A Rigby and £8,333 for R Bell. No such payments were made in the year ended 31 July 2018.

ANNUAL BONUS SCHEME

Year to 31 July 2018

In 2018 a new Annual Bonus Plan was adopted for the benefit of the Executive Directors pursuant to the Directors' Remuneration Policy approved by shareholders at the AGM held on 15 December 2017. The payment profile of any such bonuses paid under the Annual Bonus Plan will be 70 % in cash, with the remaining 30 % in deferred shares or in certain exceptional circumstances as a cash payment, vesting in three equal annual instalments over the following three years. The maximum bonus achievable will be capped at 125 % of base salary for both S Showman and A Gossage and 100 % for G Screawn.

Achievement of a bonus under the Annual Bonus Plan will be conditional upon the achievement of performance conditions determined by the Remuneration Committee, consisting of an EBITDA target and stretching specific and measurable strategic and/or individual objectives. S Showman and A Gossage may receive a maximum of 100 % of base salary in relation to the EBITDA target, and a maximum of 25 % of base salary based upon the strategic and/or individual objectives. G Screawn may receive a maximum of 75 % of base salary in relation to the EBITDA target, and a maximum of 25 % of base salary being based upon the strategic and/or individual objectives.

Notwithstanding the achievement of the strategic and/or individual targets, no bonus will be payable under the Annual Bonus Plan unless a threshold level of the EBITDA target is met. In order for full payment to be made under the EBITDA element of the award, EBITDA must exceed the prescribed target by 30 %.

For the year to 31 July 2018, the underlying EBITDA threshold level was £12.5 m and target level was £12.8 m for achievement of a minimum of 60 % of the EBITDA related bonus (45% in the case of Graham Screawn). The target level for bonus achievement was stretched in increments of 7.5 %, with an additional £0.9 m of EBITDA target. Actual underlying EBITDA achieved was £6.47 m and therefore no bonus was payable.

LONG-TERM INCENTIVE PLANS (AUDITED)

Awards Granted in the Year Ended 31 July 2018

No awards were made in the year ended 31 July 2018.

Awards Granted in the Year Ended 31 July 2017

On 28 February 2017, immediately preceding the Company's listing on the main market of the London Stock Exchange, a Management Incentive Plan was adopted, of which the Executive Directors were eligible to participate in. The plan is structured as an award of A ordinary shares in

UP Global Sourcing UK Limited ('Subsidiary Shares'). The rights attaching to the Subsidiary Shares include a put option with a three-year vesting period that can be exercised up to 7 years following the vesting date.

Exercise of the put option is subject to the share price of UP Global Sourcing Holdings plc exceeding a hurdle set at a 30 % premium to the IPO price. At the point of exercise, the recipient will receive the value of the Subsidiary Shares in either cash or shares in UP Global Sourcing Holdings plc ('Plc Shares'), at the discretion of UP Global Sourcing Holdings plc, subject to a cap of 6.25 % of the issued share capital of UP Global Sourcing Holdings plc as at the date of the IPO.

The table below shows the maximum number of Plc Shares that could be issued in exchange for the Subsidiary Shares, based upon the share price of UP Global Sourcing Holdings plc as at the relevant date had the put options been exercisable at such time:

As at 31 July 2018

	Subsidiary Share Held	Maximum Potential Plc Shares at 31 July 2018	Face Value
Executive Directors			
S Showman	48	-	-
A Gossage	32	-	-
G Screawn	8	-	-

As at 31 July 2017

	Subsidiary Share Held	Maximum Potential Plc Shares at 31 July 2017	Face Value
Executive Directors			
S Showman	48	1,084,193	£2,168,386
A Gossage	32	722,795	£1,445,590
G Screawn	8	180,699	£361,398

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

As at 31 July 2018, the share price of UP Global Sourcing Holdings plc had fallen below the hurdle price so, at that date, the put option would not be exercisable had the awards been vested at such date.

SERVICE CONTRACTS

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

	Date of appointment	Date of service contract	Notice period
Executive Directors			
S Showman	28 July 2005	28 February 2017	12 Months
A Gossage	28 July 2005	28 February 2017	12 Months
G Screawn	16 December 2010	28 February 2017	6 Months
Non-Executive Directors			
J McCarthy	1 March 2017	9 February 2017	1 Month
A Rigby	1 March 2017	9 February 2017	1 Month
R Bell	1 March 2017	9 February 2017	1 Month
B Franks	28 July 2005	9 February 2017	1 Month

All Directors will stand for re-election on an annual basis.

Outside appointments are disclosed in the Director biographies set out on pages 32 to 35 of the Annual Report.

PAYMENTS TO PAST DIRECTORS (AUDITED)

D Bloomfield resigned as a Director on 30 January 2017 and remained an employee of the Group. He continued to receive a salary under the terms of his employment contract, as well as taxable benefits. The amount received in the year was £109,149 (2017 – £54,274 – period from resignation on 30 January 2017).

PAYMENTS FOR LOSS OF OFFICE (AUDITED)

There have been no such payments made in either the year ended 31 July 2018 or the comparative period.

DISCLOSURE OF EMOLUMENTS WAIVED

No Director has agreed to waive any emoluments due from the Company or any of its subsidiaries in either the year under review, the prior year or a future period.

DIRECTORS SHAREHOLDINGS (AUDITED)

The table below sets out the total number of shares held at 31 July 2018 by each Director of the Company. As noted earlier in this report, the three Executive Directors were awarded shares in UP Global Sourcing UK Limited. These shares were issued as non-voting shares, with no right to dividends without the parent company's approval; so there is no dilution in control.

	A Ordinary Shares Owned*	Shares Owned Outright
Executive Directors		
S Showman	48	18,530,600
A Gossage	32	8,052,400
G Screawn	8	410,800
Non-Executive Directors		
J McCarthy	-	800,000
A Rigby	-	25,000
R Bell	-	402,144
B Franks	-	7,270,400

*The A ordinary shares held in UP Global Sourcing UK Limited give rise to a potential entitlement to acquire additional shares in UP Global Sourcing Holdings plc, as explained in the 'Long-Term Incentive Plan' section above. Due to the share price at 31 July 2018 being lower than the hurdle price, there were no potential unvested or vested but not exercised options. Furthermore, no options were exercised during the year.

Corporate Governance

Remuneration Committee Report continued

The table below sets out the change in the number of shares held by each Director of the Company in the period since 31 July 2017.

	Shares owned outright 31 July 2017	Shares owned outright 31 July 2018	Shares owned outright 5 November 2018
Executive Directors			
S Showman	18,530,600	18,530,600	18,530,600
A Gossage	8,052,400	8,052,400	8,052,400
G Screawn	410,800	410,800	410,800
Non-Executive Directors			
J McCarthy	390,265	800,000	800,000
A Rigby	-	25,000	25,000
R Bell	-	402,144	402,144
B Franks [1]	10,270,400	7,270,400	7,270,400

[1] B Franks completed a transfer of 3,000,000 shares to close family members on 27 February 2018.

SHAREHOLDING REQUIREMENT

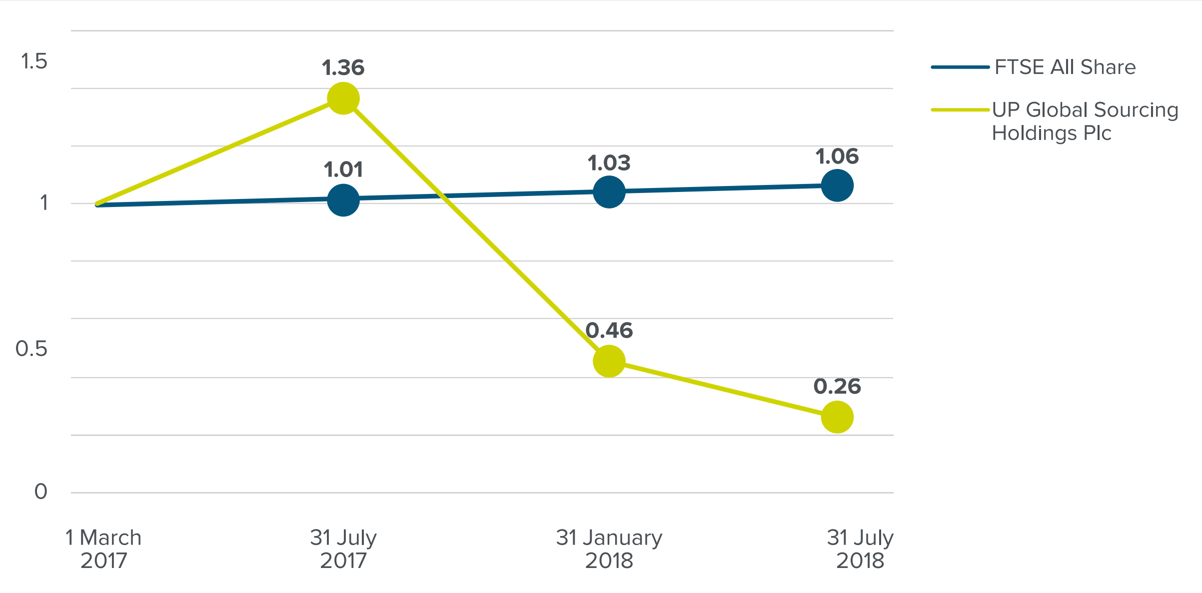
	Base Salary [1] £	Total Shareholding	Shareholding Requirement as % of Salary	Shareholding Requirement [2]	Actual Shareholdings as % of Requirement
S Showman	328,125	18,530,600	250 %	2,103,365	881 %
A Gossage	227,366	8,052,400	250 %	1,457,474	552 %
G Screawn [2]	120,000	410,800	125 %	384,615	107 %

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

[2] Salary divided by the 31 July 2018 share price of 39 p, multiplied by percentage of salary.

PERFORMANCE GRAPH AND CEO REMUNERATION TABLE

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



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

Chief Executive	Year	Single Figure Remuneration £'000	Annual Bonus (% of Maximum)	PSP Vesting (% of Maximum)
S Showman	2018	382	0 %	Nil
S Showman	2017	1,434	Not relevant	Nil
S Showman	2016	1,045	Not relevant	Nil
S Showman	2015	831	Not relevant	Nil
S Showman	2014	201	Not relevant	Nil

PERCENTAGE CHANGE IN REMUNERATION OF DIRECTOR UNDERTAKING THE ROLE OF CHIEF EXECUTIVE OFFICER

The table below sets out the change in the CEO's remuneration compared with the change for employees over 2018 who were employed for both periods.

	2018 £'000	2017 £'000	% change	Average for other employees % change
Salary	380	380	-	+ 7.4 %
Benefits – Medical Insurance	2	1	+ 100 %	+ 14.1 %
Bonus	-	1,051	- 100 %	- 79.5 %

RELATIVE IMPORTANCE OF SPEND ON PAY

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

	2018 £'000	2017 £'000	% Change
Total employee costs (note 10 – Financial Statements)	8,732	10,607	-17.7 %
Dividends	*2,235	**4,203	-46.8 %

* Dividends payable and proposed in respect of the year ended 31 July 2018

** Dividends payable and proposed in respect of the year ended 31 July 2017

STATEMENT ON IMPLEMENTATION OF REMUNERATION POLICY IN THE FOLLOWING FINANCIAL YEAR

The Remuneration Committee will next consider the base salary of the Executive and Non-Executive Directors from 1 March 2019, as part of the annual salary review process. There is expected to be no change in the arrangements concerning benefits and pension contributions.

As noted earlier in this report, the maximum potential bonus achievable for the Executive Directors is 125 % of base salary for both S Showman and A Gossage and 100 % of base salary for G Screawn.

The bonus is based partly on meeting or exceeding a specified EBITDA target and partly on the individual exceeding specified strategic and/or individual objectives. No part of the bonus will be payable unless a threshold level of the EBITDA target is met. In order for the full payment to be made, EBITDA must exceed the prescribed target by 30 %. The targets for the year ended 31 July 2019 have been determined by the Remuneration Committee. The Remuneration Committee has decided that, given the commercial sensitivity of the detailed performance measures used for the annual bonus plan, disclosing these targets prospectively is not in the interests of the Group or its shareholders. The targets, performance levels achieved and resulting payments will be disclosed retrospectively after the end of the performance period.

The UP Global Sourcing Performance Share Plan ('PSP') was adopted following shareholder approval at the 2017 AGM. The Remuneration Committee decided not to make any awards under the PSP for the year ended 31 July 2018, but intends to make awards during the year ending 31 July 2019. Such awards will be made in compliance with the Directors' Remuneration Policy. The maximum PSP award opportunity per Executive Director, in respect of any financial year, is limited to rights over shares with a market value at grant of 100 % of base salary. Any vesting of awards made under the PSP will be dependent upon the satisfaction of stretching performance conditions based upon EPS growth (50 % weighting), gross profit margin (15 % weighting), leverage (net debt to underlying EBITDA ratio) (10 % weighting) and a maximum of two strategic or individual objectives. (25 % weighting). The targets for the performance period will be determined by the Remuneration Committee in advance of the awards being granted and, given the commercial sensitivity of the detailed performance measures used for the PSP, the Remuneration Committee has determined that disclosing these targets prospectively is not in the interests of the Group or its shareholders. The targets, performance levels achieved and resulting payments will be disclosed retrospectively after the end of the performance period.

As approved by shareholders at the 2017 AGM the Company has, subsequent to 31 July 2018, established the UP Global Sourcing Employee Benefit Trust to aid with the implementation of the Annual Bonus Plan and PSP, including to satisfy awards made and to operate the deferral periods.

CONSIDERATION OF MATTERS RELATING TO DIRECTORS' REMUNERATION

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

- A Rigby
- J McCarthy
- R Bell

EXTERNAL ADVISERS

The Remuneration Committee was advised in relation to Directors' remuneration by RSM UK Tax & Advisory Services LLP ('RSM'). RSM were appointed by A Rigby, after a competitive tender process, to provide advice in relation to the formal setting of remuneration policies, including consideration of legislative matters and best practice, as well as assistance in drafting the annual Remuneration Report. The Audit and Risk Committee consider RSM to have been objective and independent during the year, as there are no conflicts of interest. The Remuneration Committee is comfortable that the RSM engagement partner and team that provides remuneration advice to the Remuneration Committee do not have connections with the Company that may impair their independence. The Remuneration Committee is committed to regularly reviewing the external advisor relationship. RSM have charged fees of £3,000 for Remuneration Committee matters.

STATEMENT OF SHAREHOLDER VOTING

Results of the resolutions voted on in the 2017 AGM relating to the Remuneration Report:

Resolution No.	Resolution	For (No. of Shares)	For (%)	Against (No. of Shares)	Against (%)	Votes Withheld (No. of Shares)
1.	To receive and approve the Directors' Remuneration Report	73,054,625	99.89 %	80,996	0.11 %	0
2.	To approve the Directors' Remuneration Policy	73,106,164	99.97 %	21,605	0.03 %	7,852

The Remuneration Report was approved by the board on 5 November 2018.

On behalf of the Board

A Rigby

A Rigby
Chair of the Remuneration Committee
5 November 2018

Directors' Report and Other Statutory Disclosures

The Directors present their report and the audited consolidated Financial Statements of the Group for the year ended 31 July 2018.

STRATEGIC REPORT

The Companies Act 2006 requires the Directors to present a review of the business during the year to 31 July 2018 and of the position of the Group at the end of the financial year, together with a description of the principal risks and uncertainties faced. The Strategic Report can be found on pages 6 to 30 and is incorporated by reference into this Directors' Report.

CORPORATE GOVERNANCE STATEMENT

The Disclosure and Transparency Rules require certain information to be included in a corporate governance statement in the Directors' Report. Information that fulfils the requirements of the corporate governance statement can be found in the Corporate Governance Report on pages 35 to 41 and is incorporated by reference into this Directors' Report.

RESULTS AND DIVIDENDS

The Group's underlying profit after tax for the financial year ended 31 July 2018, attributable to equity shareholders, amounted to £4,474,000 (2017: £8,406,000) and the profit after tax was £4,282,000 (2017: £5,575,000). An interim dividend for the current year of 0.83 p (2017: 1.62 p) per ordinary share was paid on 27 July 2018. The final proposed dividend of 1.89 p (2017 final dividend: 3.495 p) per ordinary share will be paid on 30 January 2019 if approved at the Company's annual general meeting on 14 December 2018 ('AGM').

The Directors have taken advantage of the exemption available under s408 of the Companies Act 2006 and have not presented an income statement for the Company. The Company's profit for the year was £5,028,000 (2017: £7,354,000).

FUTURE DEVELOPMENTS

In accordance with s414A of the Companies Act 2006, the Group has disclosed future developments with its Strategic Report on pages 6 to 30.

DIRECTORS

The following were Directors of the Company during the financial year ended 31 July 2018:

- JJ McCarthy
- SA Showman
- AJ Gossage
- GP Screawn
- A Rigby
- RI Bell
- BE Franks

Subject to the Company's Articles of Association (the 'Articles') and any relevant legislation, the Directors may exercise all of the powers of the Company and may delegate their power and discretion to committees.

The Articles give the Directors power to appoint and remove Directors. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board. Additionally, the Company may by ordinary resolution, subject to the wider provisions of the Articles, appoint a Director or the Company may by special resolution, or in accordance with the provisions of the Companies Act 2006, remove a Director. In compliance with the UK Corporate Governance Code, the Articles require all Directors to retire and submit themselves for re-election at each annual general meeting. Biographical details of the Board are set out on pages 32 to 35 of this report.

DIRECTORS' INTERESTS

Information regarding the Directors' interests in ordinary shares of the Company is provided in the Directors' Remuneration Report on pages 73 to 74. Under the Long-Term Incentive Plan, as set out in the Directors' Remuneration Report on page 73, 3 Directors hold a total of 88 A ordinary shares in UP Global Sourcing UK Limited. No Director has any other interest in any shares or loan stock of any Group company.

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

There have been no changes notified in the Directors' shareholdings between 31 July 2018 and 5 November 2018.

DIRECTORS' INDEMNITY PROVISIONS

As at the date of this report, indemnities are in force between the Company and each of its Directors under which the Company has agreed to indemnify each Director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out their role as a Director of the Company. The Directors are also indemnified against the costs of defending any criminal or civil proceedings, or any claim in relation to the Company or brought by a regulator as they are incurred, provided that where the defence is unsuccessful the Director must repay those defence costs to the Company. The Company's total liability under each indemnity is limited to £10 m for each event, giving rise to a claim under that indemnity. The indemnities are qualifying third-party indemnity provisions for the purposes of the Companies Act 2006. In addition, the Company maintained a Directors' and Officers' liability insurance policy throughout the financial year and has renewed that policy.

POLITICAL DONATIONS AND POLITICAL EXPENDITURE

No Group company made any political donations or incurred any political expenditure in the year (2017: £nil).

POST BALANCE SHEET EVENTS

Other than the Directors proposing a final dividend, as set out in note 14 to the accounts, other relevant post balance sheet events requiring disclosure are set out in note 31 to the accounts.

EMPLOYEE CONSULTATION

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

EMPLOYMENT OF DISABLED PERSONS

Suitable procedures are in operation to support the Group's policy that disabled persons, whether registered or not, shall be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities. Where members of staff become disabled, every effort is made to ensure that they are retrained according to their abilities and reasonable adjustments are made to the working environment to accommodate their needs.

SUBSTANTIAL SHAREHOLDINGS

As at 31 July 2018, the Company had been notified under Rule 5 of the Financial Conduct Authority's Disclosure and Transparency Rules of the following interests in the Company's ordinary share capital:

	Number of shares	% of voting rights	Type of holding
Schroder Investment Management	12,358,679	15.04 %	Indirect
Ennismore Fund Management Limited	6,600,000	8.03%	Indirect

Further notifications were received up to and including 31 October 2018, such that at that date the Company had been notified of the following interests in the Company's ordinary share capital:

	Number of shares	% of voting rights	Type of holding
Schroder Investment Management	12,326,019	15.00 %	Indirect

RELATIONS WITH SHAREHOLDERS

The Company has regular discussions with and briefings for analysts, investors and institutional shareholders. The Executive Directors normally meet with major shareholders twice annually, in order to develop an understanding of their views; other board members are briefed on their discussions.

All Directors have the opportunity to attend these meetings. At the AGM, all shareholders, including private investors, have an opportunity to participate in questions and answers with the Board on matters relating to the Company's operation and performance.

SHARE CAPITAL

As at 31 July 2018, the Company's issued share capital comprised a single class of ordinary shares of 0.25 p each. All of the Company's issued ordinary shares are fully paid up and rank equally in all respects. The rights attaching to the shares are set out in the Articles. Note 25 to the Financial Statements contains details of the ordinary share capital.

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

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

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

As set out in note 31 to the accounts, on 14 August 2018, RBC cees Trustee Limited, as trustee of the UP Global Sourcing Employee Benefit Trust, (the 'Trustee'), acquired 2.45 % of the issued share capital of the Company in trust for the benefit of the employees of the Group.

A dividend waiver is in place in respect of the Trustee's shareholdings under the UP Global Sourcing Employee Benefit Trust. Unless the Company directs that the Trustee may vote on a particular occasion, the Trustee shall abstain from voting in respect of the shares it holds for the benefit of the UP Global Sourcing Employee Trust. If the Company directs that the Trustee may vote, the Trustee may vote, or abstain from voting, in the manner that it thinks fit in its absolute discretion.

At 31 July 2018, pursuant to shareholder resolutions passed on 15 December 2017, the Company had authority to allot ordinary shares up to the value of two thirds of the Company's current issued share capital (one third of such authority being exercisable only in connection with a pre-emptive rights issue). It also had authority to: (i) issue ordinary shares without first offering such shares to existing shareholders, up to a value of 5 % of the Company's issued share capital; and (ii) purchase up to 10% of its issued share capital (subject to, if necessary, a 'whitewash' procedure being undertaken prior to exercise of such authority pursuant to Rule 9 and 37 of the City Code on Takeovers and Mergers, as set out in the Explanatory Notes to the AGM Notice for 2017).

Such authorities will expire at the conclusion of the AGM of the Company on 14 December 2018. It is proposed that such authorities are renewed at the AGM for 2018, as detailed in the AGM Notice.

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

CHANGE OF CONTROL

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

ARTICLES OF ASSOCIATION

The Company's Articles may only be amended by a special resolution at a general meeting of shareholders. No amendments are proposed to be made to the existing Articles at the 2018 AGM.

GREENHOUSE GAS EMISSIONS

Disclosures regarding greenhouse gas emissions required by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are included in the Strategic Report on pages 29 and 30. This information is incorporated by reference into this Directors' Report.

FINANCIAL RISK MANAGEMENT

Information on the exposure of the Group to certain financial risks and on the Group's objectives and policies for managing each of the Group's main financial risk areas is detailed in the financial risk management disclosure in note 24.

CONTRACTS OF SIGNIFICANCE

The contracts of significance, as defined by Listing Rule 9.8, in existence during the financial year relate to the lease of the Group's offices and distribution facilities at Manor Mill and Heron Mill.

The lease of Manor Mill was entered into by UP Global Sourcing UK Limited on normal commercial terms on 11 November 2016 with Ultimate Apartments Pension Scheme, of which Barry Franks is a trustee. Subsequently, Manor Mill and the benefits of the lease thereof were transferred to Berbar Properties Limited, a company of which Barry Franks is a director and sole shareholder. The lease is for a term of 7 years and the current rent is £180,000 per annum.

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

GOING CONCERN

The Financial Statements have been prepared on a going concern basis, as set out in the Statement of Directors' Responsibilities on pages 85 and 86. Having considered the ability of the Company and the Group to operate within its existing facilities and meet its debt covenants, the Directors have a reasonable expectation that the Company and

Group have adequate resources to continue in operational existence for the foreseeable future (being at least one year following the date of approval of this Annual Report). Accordingly, they consider it appropriate to adopt the going concern basis in preparing the Financial Statements.

The Company's Viability Statement is set out on page 24 of the Strategic Report.

DISCLOSURE OF INFORMATION UNDER LISTING RULE 9.8.4R

The information required to be disclosed under Listing Rule 9.8.4R, where applicable to the Company, can be found in the 2018 Annual Report and Financial Statements at the references provided below:

Section	Description	Annual Report location
(1)	Interest capitalised	Not applicable
(2)	Publication of unaudited financial information	Pages 152 and 153
(4)	Details of long-term incentive schemes	Pages 56 to 58
(5)	Waiver of emoluments by a Director	Not applicable
(6)	Waiver of future emoluments by a Director	Not applicable
(7)	Non-pre-emptive issues of equity for cash	Not applicable
(8)	Item (7) in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)	Contracts of significance	Page 83
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Page 82
(13)	Shareholder waivers of future dividends	Page 82
(14)	Agreements with controlling shareholders	Not applicable

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

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

AUDITOR

The Audit and Risk Committee has responsibility delegated from the Board for making recommendations on the appointment, reappointment, removal and remuneration of the external auditor. In accordance with section 485 of the Companies Act 2006, a resolution proposing that BDO LLP be reappointed as auditors of the Group and to authorise the Audit and Risk Committee to fix their remuneration will be proposed at the 2018 AGM.

ANNUAL GENERAL MEETING

The Company's AGM will be held at 2.00 pm on 14 December 2018 at the Company's registered office, Manor Mill, Victoria Street, Oldham OL9 0DD. The Notice of the AGM accompanies this Annual Report and will be available on the Group's website at www.upgs.com. Two resolutions will be proposed as special business. Explanatory notes on these resolutions are set out in the Notice of the meeting.

RECOMMENDATION TO SHAREHOLDERS

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

By order of the Board

Graham Screawn
Company Secretary
5 November 2018

Directors' Statement

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors are required to prepare the Group Financial Statements and have elected to prepare the Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union. Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group and Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs, as adopted by the European Union subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business;

- prepare a Directors' Report, Strategic Report and Directors' Remuneration Report, which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

WEBSITE PUBLICATION

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

DIRECTORS' RESPONSIBILITIES PURSUANT TO DTR4

The Directors confirm to the best of their knowledge:

- The Group Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, and Article 4 of the IAS Regulation, and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and parent company, together with a description of the principal risks and uncertainties that they face.

Simon Showman
Chief Executive Officer

Graham Screawn
Chief Financial Officer

5 November 2018

FINANCIAL STATEMENTS

SALTER All-in-One Food Prep Set
Create healthy, nutritious meals easily

Independent Auditor's Report to the Members of UP Global Sourcing Holdings Plc

OPINION

We have audited the Financial Statements of UP Global Sourcing Holdings Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 July 2018 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated and company statement of cashflows, and the notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the Financial Statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 July 2018 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report, set out on page 19 to 23, that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation, set out on page 45 in the Annual Report, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement, set out on page 110 in the Financial Statements, about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and the Directors' identification of any material uncertainties to the Group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- whether the Directors' statement relating to going concern, required under the Listing Rules in accordance with Listing Rule 9.8.6R(3), is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation, set out on page 24 in the Annual Report, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

KEY AUDIT MATTERS

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

Financial Statements

Independent Auditor's Report continued

Key audit matter	How we addressed the matter in our audit
Revenue recognition (Note 6) The Group dispatches products to customers in a number of different ways, with revenue being recognised when the risks and rewards of ownership have transferred in line with the Group's revenue accounting policy, as shown in note 3 to the Financial Statements. Our risk assessment identified a key area of risk of misstatement in respect of goods in transit at the year-end where the risks and rewards of ownership transfer at different times depending on specific terms of shipping.	We selected a sample of revenue invoices recognised in the month either side of the year end and agreed these sales to the bill of lading and other supporting shipping and dispatch documentation. In completing this review we paid specific attention to the terms and conditions of the individual sales to assess whether the sales had been included within the correct accounting period when the risks and rewards of ownership had transferred.
Rebates (Note 4) The Group has a number of rebate agreements in place with its customers. This was considered to be a risk area due to the complex nature of some of these agreements and the significance of the rebate charge to the Financial Statements. As described in Note 4, the estimation of the rebate charge and year end accrual also requires a level of estimation and judgement. As at 31 July 2018, the rebate accrual was £1,204 k (2017 – £1,076 k).	**We obtained assurance over the rebate charge and accrual by:** • agreeing the calculation of the rebate charge for key customers to the underlying rebate agreement and revenue for the year. Where this involves any estimation, we have reviewed the basis of such estimates and the reasonableness of any assumptions made; • comparison of the rebate charge and accrual for each customer to our expectations to identify any significant variances which were then substantiated to supporting documentation, such as post year claims and payments; and • comparing the accuracy of the estimation of the prior year rebate accrual by considering invoices received during the year and the rebate history.

Inventory valuation (Note 19)	We obtained assurance over management's assumptions applied in calculating the value of inventory provisions by:
As described in Note 4 (critical accounting estimates and judgements), the Group carries inventory at the lower of cost and net realisable value. Judgement is required to assess the appropriate level of provisioning for items which may be sold below cost as a result of a reduction in consumer demand, particularly in light of changing consumer tastes and new products being developed. Such judgements include management's expectations for future sales. This is a significant risk for the audit.	• assessing the Group's inventory provisioning policy, with specific consideration given to slow moving or obsolete stock lines; • verifying the value of a sample of inventory to confirm it is held at the lower of cost and net realisable value, through comparison to invoices and sales prices; and • comparing historical accuracy of inventory provisioning with reference to stock movements during the year and post year end.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit in forming our audit opinion. Materiality is defined as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the economic decisions of the users of the Financial Statements and provides a basis for determining the nature and extent of our audit procedures.

The materiality for the Group audit as a whole was set at £263,000 (2017 – £425,000) and was determined with reference to the benchmark of profit before taxation, of which it represents 5 % (2017 – 5 %).

Performance materiality was set at 75 % (2017 – 75 %) of materiality at £197,250 (2017 – £318,750). We selected this level of performance materiality based on a low level of adjustments in the prior year and the existence of a strong overall control environment. Component materiality was capped at 95 % of Group materiality due to the simplicity of the Group structure with only one significant trading company. As such, component materiality was capped at £250,000 (2017 – £404,000).

Materiality for the company was capped at £250,000 (2017 – £330,000) in line with the above, with performance materiality set at £187,500 (2017 – £247,500).

We report to the Audit Committee any corrected and uncorrected misstatements exceeding £9,200 (2017 – £14,875) in addition to other audit adjustments that warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our assessment of audit risk and Group materiality determines the audit scope for each entity within the Group, this then allows us to form an opinion on the Group Financial Statements. The Group engagement team completed full scope audits in line with the ISAs (UK) for UP Global Sourcing Holdings Plc and UP Global Sourcing UK Limited. These entities account for 99 % of the Group's total assets, 100 % of the Group's revenue and 99 % of the Group's profit before tax. The remainder of the Group was not therefore considered significant and our work was limited to high-level analytical procedures.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable, set out on page 86** – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting, set out on page 42 to 47** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee

- **Directors' statement of compliance with the UK Corporate Governance Code, set out on page 36** – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code, containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2), do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and parent company, and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement, set out on pages 85 and 86, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the audit committee, we were appointed by the Board of Directors to audit the Financial Statements for the year ending 31 July 2016 and subsequent financial periods, subject to annual reappointment by the shareholders. The period of total uninterrupted engagement is 3 years, covering the years ending 31 July 2016 to 31 July 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting our audit.

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

USE OF OUR REPORT

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Gary Harding (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Manchester

5 November 2018

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

Financial Statements

Consolidated Income Statement

	Note	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Continuing Operations			
Revenue	6	87,571	109,953
Cost of sales		(67,979)	(85,386)
Gross profit		19,592	24,567
Administration expenses before exceptional items and share-based payment charges		(13,647)	(13,444)
Profit from operations before exceptional items and share-based payment charges		5,945	11,123
Exceptional administration expenses	7	-	(3,152)
Share-based payment charges	7	(192)	(80)
Administration expenses		(13,839)	(16,676)
Profit from operations	8	5,753	7,891
Finance income	11	53	-
Finance costs	11	(383)	(464)
Profit before taxation		5,423	7,427
Income tax	12	(1,141)	(1,852)
Profit for the year		4,282	5,575
		Pence	Pence
Earnings per share – basic	13	5.2	7.2
Earnings per share – diluted	13	5.2	7.1

Financial Statements

Consolidated Statement of Comprehensive Income

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Profit for the year	4,282	5,575
Other comprehensive income/expense		
Items that may subsequently be reclassified to income statement:		
Fair value movements on cash flow hedging instruments	846	(193)
Hedging instruments recycled through the income statement at the end of hedging relationships	193	(441)
Items that will not be subsequently reclassified to income statement:		
Foreign currency retranslation	(4)	1
Other comprehensive income/(expense) for the year	1,035	(633)
Total comprehensive income for the year attributable to the equity holders of the group	5,317	4,942

Financial Statements

Consolidated Statement of Financial Position

	Note	As at 31 July 2018 £'000	As at 31 July 2017 £'000
Assets			
Intangible assets	15	100	-
Property, plant and equipment	16	2,018	1,715
Deferred tax	18	107	162
Total non-current assets		2,225	1,877
Inventories	19	16,466	11,064
Trade and other receivables	20	14,791	11,728
Derivative financial instruments	24	985	17
Current tax		-	481
Cash and cash equivalents	21	95	91
Total current assets		32,337	23,381
Total assets		34,562	25,258
Liabilities			
Trade and other payables	22	(12,531)	(12,316)
Derivative financial instruments	24	-	(200)
Current tax		(427)	-
Borrowings	23	(10,992)	(1,518)
Total current liabilities		(23,950)	(14,034)
Net current assets		8,387	9,347

	Note	As at 31 July 2018 £'000	As at 31 July 2017 £'000
Borrowings	23	(1,864)	(4,431)
Total non-current liabilities		(1,864)	(4,431)
Total liabilities		(25,814)	(18,465)
Net assets		8,748	6,793
Equity			
Share capital	25	205	205
Share premium	27	2	2
Share-based payment reserve	27	272	-
Hedging reserve	27	846	(193)
Retained earnings	27	7,423	6,779
Equity attributable to owners of the group		8,748	6,793

These Financial Statements were approved by the Board of Directors and authorised for issue on 5 November 2018 and signed on its behalf by:

Simon Showman
Chief Executive Officer

Graham Screawn
Chief Financial Officer

Company registered number: 5432142

Financial Statements

Company Statement of Financial Position

	Note	As at 31 July 2018 £'000	As at 31 July 2017 £'000
Assets			
Investments	17	16,933	16,741
Total non-current assets		16,933	16,741
Trade and other receivables	20	6,577	6,033
Total current assets		6,577	6,033
Total assets		23,510	22,774
Liabilities			
Trade and other payables	22	(203)	(208)
Current tax		(65)	(82)
Total current liabilities		(268)	(290)
Net current assets		6,309	5,743
Borrowings	23	(2,936)	(3,843)
Total non-current liabilities		(2,936)	(3,843)
Total liabilities		(3,204)	(4,133)
Net assets		20,306	18,641

	Note	As at 31 July 2018 £'000	As at 31 July 2017 £'000
Equity			
Share capital	25	205	205
Share premium	27	2	2
Share-based payment reserve	27	272	-
Hedging reserve	27	(1)	-
Retained earnings	27	19,828	18,434
Total equity		20,306	18,641

The Company's profit for the year was £5,028,000 (2017 – £7,354,000) and the total comprehensive income for the year was £5,027,000 (2017 – £7,361,000).

These Financial Statements were approved by the Board of Directors and authorised for issue on 5 November 2018 and signed on its behalf by:

Simon Showman
Chief Executive Officer

Graham Screawn
Chief Financial Officer

Company registered number: 5432142

Financial Statements

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 August 2016	**184**	**2**	**-**	**441**	**567**	**1,194**
Profit for the year	-	-	-	-	5,575	5,575
Foreign currency retranslation	-	-	-	-	1	1
Cash flow hedging movement	-	-	-	(634)	-	(634)
Total comprehensive income for the year	-	-	-	(634)	5,576	4,942
Transactions with shareholders:						
Dividends payable	-	-	-	-	(1,530)	(1,530)
Issue of shares - exercise of share options	21	-	-	-	-	21
Share-based payments	-	-	-	-	80	80
Current tax on share scheme	-	-	-	-	2,086	2,086
As at 31 July 2017	**205**	**2**	**-**	**(193)**	**6,779**	**6,793**

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 31 July 2017	**205**	**2**	**-**	**(193)**	**6,779**	**6,793**
Profit for the year	-	-	-	-	4,282	4,282
Foreign currency retranslation	-	-	-	-	(4)	(4)
Cash flow hedging movement	-	-	-	1,039	-	1,039
Total comprehensive income for the year	-	-	-	1,039	4,278	5,317
Transactions with shareholders:						
Dividends payable	-	-	-	-	(3,554)	(3,554)
Transfer	-	-	80	-	(80)	-
Share-based payments	-	-	192	-	-	192
As at 31 July 2018	**205**	**2**	**272**	**846**	**7,423**	**8,748**

Financial Statements

Company Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 August 2016	**184**	**2**	**-**	**(7)**	**12,530**	**12,709**
Profit for the year	-	-	-	-	7,354	7,354
Cash flow hedging movement	-	-	-	7	-	7
Total comprehensive income for the year	-	-	-	7	7,354	7,361
Transactions with shareholders:						
Dividends payable	-	-	-	-	(1,530)	(1,530)
Issue of shares – exercise of share options	21	-	-	-	-	21
Share-based payments	-	-	-	-	80	80
As at 31 July 2017	**205**	**2**	**-**	**-**	**18,434**	**18,641**

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 31 July 2017	**205**	**2**	**-**	**-**	**18,434**	**18,641**
Profit for the year	-	-	-	-	5,028	5,028
Cash flow hedging movement	-	-	-	(1)	-	(1)
Total comprehensive income for the year	-	-	-	(1)	5,028	5,027
Transactions with shareholders:						
Dividends payable	-	-	-	-	(3,554)	(3,554)
Transfer	-	-	80	-	(80)	-
Share-based payments	-	-	192	-	-	192
As at 31 July 2018	**205**	**2**	**272**	**(1)**	**19,828**	**20,306**

Financial Statements

Consolidated Statement of Cash Flows

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Net cash flow from operating activities		
Profit for the year	4,282	5,575
Adjustments for:		
Finance income	(53)	-
Finance costs	383	464
Gain on disposal of non-current assets	-	(5)
Income tax expense	1,141	1,852
Depreciation and impairment	525	394
Amortisation	2	-
Derivative financial instruments	(99)	-
Share-based payments	192	80
Income taxes paid	(178)	(678)
Working capital adjustments		
Increase in inventories	(5,402)	(519)
(Increase)/decrease in trade and other receivables	(3,063)	4,049
Increase/(decrease) in trade and other payables	215	(1,790)
Net cash (used in)/from operations	(2,055)	9,422
Cash flows used in investing activities		
Purchase of intangible assets	(102)	-
Purchase of property, plant and equipment	(829)	(1,162)
Proceeds from disposal of property, plant and equipment	-	28
Finance income	53	-
Net cash used in investing activities	(878)	(1,134)

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Cash flows used in financing activities		
Issue of share capital	-	21
Proceeds from borrowings	9,052	-
Repayment of borrowings	(2,175)	(4,085)
Debt issue costs paid	(31)	(38)
Dividends paid	(3,554)	(3,780)
Interest paid	(355)	(451)
Net cash generated from/(used in) finance activities	2,937	(8,333)
Net increase/(decrease) in cash and cash equivalents	4	(45)
Cash and cash equivalents brought forward	91	136
Cash and cash equivalents carried forward	95	91

Financial Statements

Company Statement of Cash Flows

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Net cash flow from operating activities		
Profit for the year	5,028	7,354
Adjustments for:		
Finance and dividend income	(5,267)	(8,710)
Finance costs	105	142
Income tax (credit)/expense	(17)	83
Income taxes paid	-	2
Working capital adjustments		
Increase in trade and other receivables	(534)	(31)
Increase/(decrease) in trade and other payables	17	(291)
Net cash used in operations	(668)	(1,451)
Cash flows from investing activities		
Dividends received	4,667	8,070
Interest received	600	640
Net cash from investing activities	5,267	8,710

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Cash flows used in financing activities		
Issue of share capital	-	21
Proceeds from borrowings	1,244	1,075
Repayment of borrowings	(2,175)	(4,453)
Dividends paid	(3,554)	(3,780)
Interest paid	(114)	(122)
Net cash used in finance activities	(4,599)	(7,259)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents brought forward	-	-
Cash and cash equivalents carried forward	-	-

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

The consolidated Group Financial Statements and Company Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated Group Financial Statements and Company Financial Statements are presented in Sterling, generally rounded to the nearest thousand. The Financial Statements are prepared on the historical cost basis, except for certain financial instruments and share-based payments that have been measured at fair value.

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

GOING CONCERN BASIS

The Group meets its day-to-day working capital requirements through its bank facilities. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group's forecasts and projections, taking account of reasonable sensitivities, show that the Group should be able to operate within available facilities for at least twelve months from the date of approval of the Financial Statements. The Group therefore continues to adopt the going concern basis in preparing its consolidated and Company Financial Statements.

3. ACCOUNTING POLICIES

The principal accounting policies adopted are set out below.

BASIS OF CONSOLIDATION

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

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

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

The results of overseas subsidiaries are translated at the monthly average rates of exchange during the period and their statements of financial position at the rates ruling at the reporting date. Exchange differences arising on translation of the opening net assets and on foreign currency borrowings or deferred consideration, to the extent that they hedge the Group's investment in such subsidiaries, are reported in the statement of comprehensive income. All Financial Statements are drawn up to 31 July 2018.

CURRENCIES

PRESENTATIONAL CURRENCY

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

TRANSACTIONS AND BALANCES

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

REVENUE RECOGNITION AND REBATES

Revenue is recognised once the risks and rewards of ownership have transferred. This can vary depending upon the method of dispatch. Revenue is recognised either on dispatch, receipt by customer or upon delivery to a transport company if appropriate insurance is in place. Revenue is measured as the fair value of the consideration received or receivable and represents the amount receivable for goods supplied and services rendered, net of returns and expected returns, discounts and rebates given by the Group to customers.

Rebates payable to customers are recognised in line with relevant contractual terms. Rebates payable to customers are charged directly to the income statement over the period to which they relate and are recognised as a deduction from revenue.

INTANGIBLE ASSETS

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

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

Trademarks – 10 years

PROPERTY, PLANT AND EQUIPMENT

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

Fixtures, fittings and equipment – 16–50 %
Motor vehicles – 25 %

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in profit or loss. At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

INVESTMENTS

Investments in subsidiaries are carried at cost less impairment. The Group's MIP option scheme operates for employees of the subsidiary company UP Global Sourcing UK Limited. As such in accordance with IFRS2, the share-based payment charge in relation to these options is shown as an increase in investments in the subsidiary company.

INVENTORIES

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

At the end of each reporting period, inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the income statement. Where a reversal of the impairment is recognised, the impairment charge is reversed up to the original impairment loss and is recognised as a credit in the income statement.

INCOME TAX

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

CURRENT INCOME TAX

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

DEFERRED TAX

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available, against which the asset can be utilised.

Such assets are reduced to the extent that it is no longer probable that the asset can be utilised. Deferred tax assets and liabilities are offset when there is a right to offset current tax assets and liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority, on either the same taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

OPERATING LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the term of the relevant lease.

PAYROLL EXPENSE AND RELATED CONTRIBUTIONS

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

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

PENSION COSTS

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

SHARE-BASED COMPENSATION

The Group issues share-based payments to certain employees and Directors. Equity-settled, share-based payments are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, along with a corresponding increase in equity.

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

The fair value of share options is determined using a Monte Carlo model, taking into consideration the best estimate of the expected life of the option and the estimated number of shares that will eventually vest.

DIVIDENDS

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

FINANCIAL INSTRUMENTS

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

TRADE AND OTHER RECEIVABLES

Trade and other receivables and amounts owed by Group undertakings are classified as loans and receivables and are recognised initially at fair value. They are subsequently measured at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial), less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the assets are impaired. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

CASH AND CASH EQUIVALENTS

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

TRADE AND OTHER PAYABLES

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

BORROWINGS

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

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

CLASSIFICATION AS DEBT OR EQUITY

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

EQUITY INSTRUMENTS

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

DERIVATIVES

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

HEDGING ARRANGEMENTS

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

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

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

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

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

ACCOUNTING DEVELOPMENTS

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The IASB and IFRIC have issued the following standards and interpretations, which have been adopted by the Group. The adoption of these standards and interpretations has not had a material impact on the Group.

Standard	Key Requirements
IAS 7 Statement of Cashflows	The amendment to IAS 7 requires additional disclosures about changes in an entity's financing liabilities arising from both cash flow and non-cash flow items. The amendment applies to changes in financial assets, as well as liabilities if the cash flows from those financial assets are included in cash flows from financing activities in the cash flow statement. The Group has applied the amendment to the disclosures in the Financial Statements (see note 23). There is no material impact on the Group as a result of applying this amendment.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE FOR THE FINANCIAL YEAR BEGINNING 1 AUGUST 2017 AND NOT EARLY ADOPTED.

The IASB and IFRIC have issued the following standards and interpretations with effective dates as noted below:

Standard	Key Requirements	Effective Date (for Annual Periods Beginning On or After)
IFRS 9, Financial Instruments	The standard is expected to impact the classification and measurement of financial assets. It introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for the credit event to have occurred before a credit loss is recognised. It also introduces a new hedge accounting model that is designed to more closely align with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The standard also introduces additional disclosure requirements. IFRS 9 will be adopted in the Group's report and accounts for the year ending 31 July 2019. This has been considered by the Directors and the expected impact is negligible. The effect of the different classification of certain financial instruments will not have a material impact on the Group's statement of financial position. In addition, the level of impairment of certain financial instruments such as trade receivables will not change materially under the expected loss model.	1 January 2018
IFRS 15, Revenue from Contracts with Customers	The standard specifies how and when a Company will recognise revenue, as well as requiring such entities to provide users of Financial Statements with more informative, relevant disclosures. The standard provides a single, principles-based five-step model to apply to all contracts with customers. IFRS 15 will be first adopted in the Group's report and accounts for the year ended 31 July 2019. The standard has been considered by the Directors and the expected impact is negligible. Although the standard will increase disclosure requirements in the Group Financial Statements, the Directors do not believe that the standard will have a material impact on the Group's income statement.	1 January 2018

<table>
<tr><th>Standard</th><th>Key Requirements</th><th>Effective Date (for Annual Periods Beginning On or After)</th></tr>
<tr><td>IFRS 16, Leases</td><td>
The new standard recognises a leased asset and a lease liability for almost all leases and requires them to be accounted for in a consistent manner. This introduces a single lessee accounting model and eliminates the previous distinction between an operating lease and a finance lease.
IFRS 16 will be first adopted in the Group’s report and accounts for the year ending 31 July 2020, with adoption being on a full retrospective basis, including the restatement of the balance sheet at 31 July 2018 and restatement of the income statement for the year ending 31 July 2019. Current significant operating leases include the Group’s four principal properties (Manor Mill, Heron Mill, Guangzhou and Cologne) along with certain other plant and equipment.
The Group is progressing its impact assessment for IFRS 16 and further work is still required. However, including some estimation, preliminary indications of the impact on the income statement for 31 July 2018 are as follows:
<table>
<tr><th></th><th>£</th></tr>
<tr><td>EBITDA: Increase due to rental charges being removed</td><td>+ 0.7 m</td></tr>
<tr><td>Depreciation increase</td><td>(0.6) m</td></tr>
<tr><td>Profit from operations</td><td>+ 0.1 m</td></tr>
<tr><td>Finance costs</td><td>(0.1) m</td></tr>
<tr><td>Profit before taxation</td><td>-</td></tr>
</table>
The more significant impact from the introduction of IFRS 16 would be on the balance sheet, where, including some estimation, preliminary indications of the cumulative impact from the restatement on the prior years’ income statements and from the recognition of the assets and liabilities as at 31 July 2018, are as follows:
<table>
<tr><th></th><th>£</th></tr>
<tr><td>Fixed assets – Right of Use Assets</td><td>+2.9 m</td></tr>
<tr><td>Finance lease liability recognized</td><td>(3.2) m</td></tr>
<tr><td>Other receivables and payables</td><td>+0.1 m</td></tr>
<tr><td>Net assets</td><td>(0.2) m</td></tr>
</table>
</td><td>1 January 2019</td></tr>
</table>

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these Financial Statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at each Statement of Financial Position date and the reported results. Actual results could differ from these estimates. Information about such judgements and estimations is contained in individual accounting policies.

The key sources of estimation uncertainty, that could cause an adjustment to be required to the carrying amount of an asset or liability within the next accounting period, are outlined below:

ACCOUNTING ESTIMATES

INVENTORY PROVISIONING

The Group sources, imports and sells products across a range of categories including small domestic appliances, audio, laundry, housewares, heating and cooling and luggage, and is subject to changing consumer demands and trends. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods. The carrying amounts of inventory provisions are disclosed in note 19.

CUSTOMER REBATES

The Group makes estimates of the amounts likely to be paid to customers in respect of rebate arrangements. When making these estimates, management takes account of contractual customer terms, as well as estimates of likely sales volumes, to determine the rates at which rebates should be accrued in the Financial Statements. The carrying amount of rebate accruals at the balance sheet date is £1,204,000 (2017 – £1,076,000).

VALUATION OF DERIVATIVES HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent it is available. Where Level 1 inputs are not available, the Group uses appropriate externally sourced valuations. The carrying amounts of derivatives are disclosed in note 24.

SHARE BASED PAYMENTS

The Management Incentive Plan ('MIP Option Scheme') was adopted on 28 February 2017 (see note 26). At exercise, the A ordinary shares in UP Global Sourcing UK Limited can be converted into shares in UP Global Sourcing Holdings plc. The options carry performance criteria based upon the growth in share price following the Group's IPO, subject to a hurdle set at 30 % above the share price at IPO. At the point of exercise, the recipient will receive the value of Subsidiary Shares in either cash or Plc Shares, at the discretion of UP Global Sourcing Holdings plc, subject to a cap of 6.25 % of the issued share capital of UP Global Sourcing Holdings plc as at the date of the IPO. An assumption is required as to whether the recipient will receive either cash or Plc Shares and the assumption has been made that the recipient will receive Plc Shares. If the assumption was made that the recipient was to receive cash, then the fair value of the Subsidiary Shares would be continually remeasured and an accrual would be included on the Statement of Financial Position.

ACCOUNTING JUDGEMENTS

The key judgements used in the preparation of the Financial Statements are as follows:

RECOGNITION OF DEFERRED TAX ASSETS

The extent to which deferred tax assets can be recognised is based upon an assessment of the probability that future taxable income will be available, against which the deductible temporary differences and tax loss carry forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties.

5. OPERATING SEGMENTS

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board. The Board is responsible for allocating resources and assessing performance of operating segments.

The Directors consider that there are no identifiable business segments that are subject to risks and returns that are different to those of the core business. The information reported to the Directors, for the purposes of resource allocation and assessment of performance, is based wholly upon the overall activities of the Group. The Group has therefore determined that it has only one reportable segment under IFRS 8.

The results and assets for this segment can be determined by reference to the Income Statement and the Statement of Financial Position.

6. REVENUE

GEOGRAPHICAL SPLIT BY LOCATION:

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
United Kingdom	63,535	79,534
Germany	3,550	1,356
Rest of Europe	18,546	25,929
USA	818	806
Rest of the World	1,122	2,328
Total	87,571	109,953
International sales	24,036	30,419
Percentage of total revenue	27.4 %	27.7 %

ANALYSIS OF REVENUE BY BRAND:

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Beldray	21,459	30,762
Salter	13,849	16,055
Intempo	8,457	10,053
Russell Hobbs	6,914	8,480
Progress	3,210	588
Premier brands	53,889	65,938
Other key brands	12,554	9,874
Key brands total	66,443	75,812
Other brands and own label	21,128	34,141
Total	87,571	109,953

ANALYSIS OF REVENUE BY MAJOR PRODUCTS:

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Small domestic appliances	21,413	24,632
Housewares	20,771	22,219
Audio	15,022	23,710
Laundry	10,735	15,760
Heating and cooling	5,089	7,430
Luggage	3,718	5,160
Others	10,823	11,042
Total	87,571	109,953

ANALYSIS OF REVENUE BY STRATEGIC PILLAR:

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Discount retailers	45,250	63,781
UK supermarkets	9,662	10,339
Online channels	6,959	4,568
	61,871	78,688
Other	25,700	31,265
Total	87,571	109,953

Included in revenue are sales to customers who individually account for over 10 % of the Group's total sales and in total this amounted to approximately £32,453,000 being 2 customers, (2017 – £50,604,000, being 2 customers).

7. EXCEPTIONAL ITEMS AND SHARE-BASED PAYMENT CHARGES

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Shareholder bonuses	-	2,003
Initial public offering costs	-	1,149
Share-based payment expense (note 26)	192	80
Total	192	3,232

Shareholder bonus costs consist of bonus payments based upon certain Group EBITDA performance targets and the cost ceased to accrue after the year ended 31 July 2017.

Initial public offering costs relate entirely to the Group's IPO in the previous year and therefore are not considered to relate to the Group's underlying performance. The costs incurred comprise principally legal and advisory fees and listing costs.

The share-based payment expense relates to the non-cash charge arising on the Management Incentive Plan ('MIP') adopted immediately prior to the IPO, as referred to in note 26.

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

8. OPERATING EXPENSES

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
The profit is stated after charging/(crediting) expenses as follows:		
Inventories recognised as an expense	61,678	78,113
Impairment of inventories	(35)	258
Staff costs – note 10	8,732	10,607
IPO costs – note 7	-	1,149
Foreign exchange loss	62	114
Operating lease costs	775	724
Depreciation of owned property, plant and equipment	525	394
Amortisation	2	-
Gain on disposal of property, plant and equipment	-	(5)
Other cost of sales and operating expenses	10,079	10,707
Total	81,818	102,061

9. AUDITOR'S REMUNERATION

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Fees payable to the Company's auditor for the audit of the parent and consolidated annual accounts	26	25
Fees payable to the Company's auditor and their associates for other services to the Group		
- The audit of the Financial Statements of the Company's subsidiaries	35	34
Total audit fees	61	59
- Audit-related assurance services	10	10
- Corporate finance services	-	175
Total non-audit fees	10	185

Corporate finance services relate entirely to the Group's IPO in the previous year and were included within the exceptional IPO costs referred to in note 7.

10. EMPLOYEE NUMBERS AND COSTS

The average monthly number of people employed by the Group was:

	Group		Company	
	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Average number of employees (including Directors):				
Sales staff	49	**45**	**-**	-
Distribution staff	34	**29**	**-**	-
Administrative staff	149	**148**	**3**	2
Total	232	**222**	**3**	2

The aggregate remuneration of all employees, including Directors, comprises:

	Group		Company	
	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Wages and salaries	7,740	9,454	210	86
Social security costs	678	951	24	10
Other pension costs	122	122	-	-
Share-based payments	192	80	-	-
Total	8,732	10,607	234	96

Details of Directors' remuneration and pension entitlements are disclosed in the Remuneration Report on pages 66 to 68.

Social security costs payable in respect of the Directors were £127,000 (2017 – £364,000)

The aggregate amount of gains made by Directors on the exercise of share options was £nil (2017 – £1,049,594).

11. FINANCE INCOME AND COSTS

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Finance Costs		
Interest on bank loans and overdrafts	333	443
Other interest payable and similar charges	50	21
Total	**383**	**464**
Finance Income		
Interest income on financial assets measured at amortised cost	53	-
Total	**53**	**-**

12. TAXATION

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Current tax		
Current period – UK corporation tax	1,003	1,629
Adjustments in respect of prior periods	(109)	5
Foreign current tax expense	192	171
Total current tax	1,086	1,805
Deferred tax		
Origination and reversal of temporary differences	35	40
Adjustments in respect of prior periods	13	(7)
Impact of change in tax rate	7	14
Total deferred tax	55	47
Total tax charge	1,141	1,852

FACTORS AFFECTING THE TAX CHARGE

Tax is assessed for the period at a rate different to the UK corporation tax rate for the reasons below:

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Profit before tax	5,423	7,427
Tax charge at 19.00 % (2017 – 19.67 %)	1,030	1,461
Recurring:		
Adjustment to tax charge in respect of prior periods	(96)	(2)
Effects of expenses not deductible for tax purposes	55	63
Impact of overseas tax rates	112	87
Effect of difference in corporation tax and deferred tax rates	**3**	**9**
Non-recurring:		
Effects of expenses not deductible for tax purposes	37	234
Total tax expense	1,141	1,852

Included in the tax charge above is a tax credit relating to the exceptional items of £nil (2017 – £401,000).

A tax credit of £nil (2017 – £2,086,000) has been credited direct to reserves in relation to the EMI scheme.

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 16 March 2016, including a reduction in the main rate of corporation tax to 17 % from 1 April 2020. Therefore, the deferred tax asset has been calculated having regard to the corporation tax rate of 17%.

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period, and uses the number of shares as if they had always been subdivided from £1 shares to 0.25 p shares.

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:

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Profit for the year	4,282	5,575
	Number	**Number**
Weighted average number of shares – basic	82,169,600	77,254,220
Share options	-	946,812
Weighted average number of shares – diluted	82,169,600	78,201,032
	Pence	**Pence**
Profit per share – basic	5.2	7.2
Profit per share – diluted	5.2	7.1

14. DIVIDENDS

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Final dividend paid in respect of the previous year	2,872	199
Interim declared and paid	682	1,331
	3,554	1,530
Per share – (adjusted to reflect the subdivision in the year ended 31 July 2017)	**Pence**	**Pence**
Final dividend paid in respect of the previous year	3.50	0.27
Interim declared and paid	0.83	1.62
	4.33	1.89

The interim dividend declared in the year ended 31 July 2018 of 0.83 p per share was approved by the board on 27 April 2018 and was paid on 27 July 2018 to shareholders on record as at 6 July 2018.

The Directors propose a final dividend of 1.89 p per share in respect of the year ended 31 July 2018. The dividend is due to be paid on 30 January 2019 to shareholders on record at 4 January 2019.

15. INTANGIBLE ASSETS

Cost	Group Trademarks £'000
As at 1 August 2017	-
Additions	102
Disposals	-
As at 31 July 2018	102
Accumulated Amortisation	
As at 1 August 2017	-
Charge for the year	2
Disposals	-
As at 31 July 2018	2
Carrying Amount:	
As at 31 July 2017	-
As at 31 July 2018	100

Intangible asset additions in the year relate to the acquisition of the Kleeneze trademark.

The amortisation charge represents the spreading of the cost over the asset's expected useful life. The Kleeneze trademark has 9.8 years remaining. The amortisation charge for the year has been included in administration expenses in the Income Statement.

The Company held no intangible assets.

16. PROPERTY, PLANT AND EQUIPMENT

	Group		
Cost	**Fixtures, Fittings and Equipment £'000**	**Motor Vehicles £'000**	**Total £'000**
As at 1 August 2016	3,014	77	3,091
Additions	1,131	31	1,162
Disposals	-	(40)	(40)
As at 31 July 2017	4,145	68	4,213
Additions	829	-	829
Disposals	(15)	-	(15)
As at 31 July 2018	4,959	68	5,027
Accumulated Depreciation and Impairment Losses			
As at 1 August 2016	2,093	28	2,121
Charge for the year	375	19	394
Disposals	-	(17)	(17)
As at 31 July 2017	2,468	30	2,498
Charge for the year	513	12	525
Disposals	(14)	-	(14)
As at 31 July 2018	2,967	42	3,009
Carrying Amount:			
As at 31 July 2016	921	49	970
As at 31 July 2017	1,677	38	1,715
As at 31 July 2018	1,992	26	2,018

Included in property, plant and equipment are assets held outside the UK with a carrying amount at 31 July 2018 of £302,000 (2017 – £89,000, 2016 – £97,000).

The depreciation charge for the year has been included in administration expenses in the Income Statement.

There is no residual value on any property, plant and equipment.

The Company held no property, plant and equipment.

17. INVESTMENTS

	Company	
	31 July 2018 £'000	31 July 2017 £'000
Carrying value at beginning of the year	16,741	16,661
Share-based payments	192	80
Carrying value at end of the year	16,933	16,741

At 31 July 2018, the Company owned the following subsidiaries:

	Registered Office	Holding	Proportion of Voting Rights and Shares Held	Nature of Business
UP Global Sourcing UK Limited	1	Ordinary shares	100 %	Supply of branded household products
UP Global Sourcing Hong Kong Limited	2	Ordinary shares	100 %	Supply of branded household products

1. Manor Mill, Victoria Street, Chadderton, Oldham OL9 0DD. UK.
2. Unit B, 13th Floor, Yun Tat Commercial Building, No's 70–74 Wuhu Street, Hung Hom, Kowloon, Hong Kong.

18. DEFERRED TAX

The deferred tax asset consists of the following timing differences:

	Group	
	31 July 2018 £'000	31 July 2017 £'000
Excess of depreciation over taxable allowances	75	116
Other temporary differences	32	46
	107	162

MOVEMENT IN DEFERRED TAX IN THE YEAR

	Group	
	31 July 2018 £'000	31 July 2017 £'000
Balance brought forward	162	209
Movement arising in the year	(55)	(47)
Balance carried forward	107	162

The Directors consider that the deferred tax assets in respect of timing differences and depreciation in excess of capital allowances are recoverable based upon the forecast future taxable profits of the Group.

The Group has also unrecognised deferred tax assets of £616,000 (2017 – £705,000) in respect of losses carried forward.

19. INVENTORIES

	Group	
	31 July 2018 £'000	31 July 2017 £'000
Goods for resale	16,466	11,064
	16,466	11,064

Inventories at 31 July 2018 are stated after provisions for impairment of £271,000 (2017 – £528,000).

20. TRADE AND OTHER RECEIVABLES

	Group	
	31 July 2018 £'000	31 July 2017 £'000
Trade receivables	13,510	10,474
Other receivables and prepayments	1,281	1,254
	14,791	11,728

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

Trade and other receivables at 31 July 2018 are stated after provisions for impairment of £61,000 (2017 – £82,000).

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the reporting date but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables at 31 July 2018 is 41 days, (2017 – 36 days).

AGEING OF PAST DUE BUT NOT IMPAIRED RECEIVABLES

	Group	
	31 July 2018 £'000	31 July 2017 £'000
Less than 30 days	1,695	1,265
31–60 days	137	152
61–90 days	73	50
91–120 days	147	99
	2,052	1,566

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Group's credit risk is substantially mitigated by credit insurance being in place.

Details of the Group's credit risk management policies are shown in note 24. The Group does not hold any collateral as security for its trade and other receivables.

Impairment losses recognised in relation to trade receivables were £21,000 at 31 July 2018 (2017 – £12,000).

The Group holds invoice discounting facilities, which are secured against the Group's trade receivables. Further information can be found in note 23.

TRADE AND OTHER RECEIVABLES – COMPANY

	Company	
	31 July 2018 £'000	31 July 2017 £'000
Amounts owed by group undertakings	6,548	6,000
Other receivables and prepayments	29	33
	6,577	6,033

21. CASH AND CASH EQUIVALENTS

	Group	
	31 July 2018 £'000	31 July 2017 £'000
Cash at bank	95	91

Bank overdrafts are in constant use by the Group, so on that basis are classed as finance provided to the Group, rather than cash and cash equivalents.

22. TRADE AND OTHER PAYABLES

	Group	
	31 July 2018 £'000	31 July 2017 £'000
Trade payables	8,610	5,803
Accruals and deferred income	3,723	6,007
Other taxes and social security	198	506
	12,531	12,316

Trade payables principally consist of amounts outstanding for trade purchases 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 and Euros. UP Global Sourcing Holdings plc has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

TRADE AND OTHER PAYABLES – COMPANY

	Company	
	31 July 2018 £'000	31 July 2017 £'000
Accruals and deferred income	203	208
	203	208

23. BORROWINGS

	Group	
	31 July 2018 £'000	31 July 2017 £'000
Current		
Invoice discounting	4,503	1,016
Import loans	6,530	534
	11,033	1,550
Less: Unamortised debt issue costs	(41)	(32)
	10,992	1,518

	Group	
	31 July 2018 £'000	31 July 2017 £'000
Non-current		
Revolving credit facility	1,893	4,499
	1,893	4,499
Less: Unamortised debt issue costs	(29)	(68)
	1,864	4,431
Total borrowings	12,856	5,949
The earliest that the lenders of the above borrowings require repayment is as follows:		
In less than one year	11,033	1,550
Between one and two years	1,893	-
Between two and five years	-	4,499
Less: Unamortised debt issue costs	(70)	(100)
	12,856	5,949

BORROWINGS – COMPANY

	Company	
	31 July 2018 £'000	31 July 2017 £'000
Non-current		
Revolving credit facility	2,965	3,895
	2,965	3,895
Less: Unamortised debt issue costs	(29)	(52)
	2,936	3,843
Total borrowings	2,936	3,843
The earliest that the lenders of the above borrowings require repayment is as follows		
Between one and two years	2,965	-
Between two and five years	-	3,895
Less: Unamortised debt issue costs	(29)	(52)
	2,936	3,843
	12,856	5,949

The Group is funded by external banking facilities provided by HSBC, which run to June 2020 and provide the ongoing funding of the Group. The facilities comprise a revolving credit facility of £6.2 m, an invoice discounting facility of £17 m and an import loan facility, which was increased by £2.2 m to £8.7 m on 11 July 2018. The import loan facility is ancillary to the revolving credit facility, is repayable on demand and subject to annual review.

Current bank borrowings include a gross amount of £4,503,000 at 31 July 2018 (2017 – £1,016,000) due under invoice discounting facilities, which is secured by an assignment of, and fixed charge over the trade debtors of UP Global Sourcing UK Limited. Furthermore, current bank borrowings include an amount of £6,530,000 at 31 July 2018, (2017 – £534,000) due under an import loan facility, which is secured by a general letter of pledge providing security over the stock purchases financed under that facility. Bank borrowings are secured in total by a fixed and floating charge over the assets of the Group.

At 31 July 2018 total bank borrowings are net of £70,000, (2017 – £100,000) of fees which are being amortised over the length of the relevant facilities.

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Group			
	At 1 August 2017 £'000	Cash flows £'000	Non-cash changes £'000	31 July 2018 £'000
Invoice discounting	1,016	3,487	-	4,503
Import loans	534	5,996	-	6,530
Revolving credit facility	4,499	(2,606)	-	1,893
Less: unamortised debt issue costs	(100)	(31)	61	(70)
Total	5,949	6,846	61	12,856

	Company			
	At 1 August 2017	Cash flows £'000	Non-cash changes £'000	31 July 2018 £'000
Revolving credit facility	3,895	(930)	-	2,965
Less: unamortised debt issue costs	(52)	-	23	(29)
Total	3,843	(930)	23	2,936

24. FINANCIAL INSTRUMENTS

PRINCIPAL FINANCIAL INSTRUMENTS

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

	Group	
	31 July 2018 £'000	31 July 2017 £'000
Trade and other receivables	13,510	10,474
Derivative financial instruments – assets	985	17
Trade and other payables	12,333	11,810
Derivative financial instruments – liabilities	-	200
Borrowings	12,856	5,949
Cash and cash equivalents	95	91

FINANCIAL ASSETS

The Group held the following financial assets at amortised cost:

	Group 31 July 2018 £'000	Group 31 July 2017 £'000
Cash and cash equivalents	95	91
Trade receivables	13,510	10,474
	13,605	10,565

FINANCIAL LIABILITIES

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

	Group 31 July 2018 £'000	Group 31 July 2017 £'000
Trade payables	8,610	5,803
Loans	12,856	5,949
Other payables	3,723	6,207
	25,189	17,959

DERIVATIVE FINANCIAL INSTRUMENTS

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

	Group 31 July 2018 £'000	Group 31 July 2017 £'000
Forward currency contracts	935	(200)
Interest rate swaps	8	4
Interest rate caps	42	13
	985	(183)

DERIVATIVE FINANCIAL INSTRUMENTS – FORWARD CONTRACTS

The Group mitigates the exchange rate risk for certain foreign currency trade debtors and creditors by entering into forward currency contracts. At 31 July 2018, the outstanding contracts all mature within 12 months of the period end (2017 – 12 months). At 31 July 2018, the Group was committed to buy US$28,750,000 (2017 – US$11,650,000), to sell US$nil (2017 – US$3,500,000), to sell €12,400,000 (2017 – €7,050,000) and to sell CA$100,000 (2017 – CA$nil), paying and receiving respectively fixed Sterling amounts. The forward currency contracts are measured at fair value using the relevant exchange rates for GBP:USD, GBP:EUR and GBP:CAD. The fair value of the contracts at 31 July 2018 is an asset of £935,000 (2017 – £200,000 liability).

Forward currency contracts are valued using level 2 inputs. The valuations are calculated using the period end forward rates for the relevant currencies, which are observable quoted values at the period end dates. Valuations are determined using the hypothetical derivative method, which values the contracts based upon the changes in the future cash flows, based upon the change in value of the underlying derivative.

All of the forward contracts to buy US Dollars and some of those to sell Euros meet the conditions for hedge accounting, as set out in the accounting policies in note 3.

The fair value of forward contracts that are effective in offsetting the exchange rate risk is an asset of £838,000 (2017 – £197,000 liability), which has been recognised in other comprehensive income and will be released to profit or loss at the end of the term of the forward contracts that expire within 12 months. The cash flows in respect of the forward contracts will occur over the course of the 12 months to 31 July 2019.

DERIVATIVE FINANCIAL INSTRUMENTS – INTEREST RATE SWAPS AND INTEREST RATE CAPS

The Group has entered into interest rate swaps and interest rate caps to protect the exposure to interest rate movements on the various elements of the Group's banking facility. As at 31 July 2018, protection was in place over an aggregate principal of £11,600,000 (2017 – £12,095,000).

All interest rate swaps meet the conditions for hedge accounting, as set out in the accounting policies in note 3.

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

The fair value of variable to fixed interest rate swaps that are effective in offsetting the variable interest rate risk on variable rate debt is an asset of £8,000 (2017 – £4,000 asset), which has been recognised in other comprehensive income and will be released to profit or loss over the term of the swap agreements. The agreements expire between 31 December 2019 and 31 December 2021. The cash flows in respect of the swaps occur monthly over the effective lifetime of the swaps.

The fair value of the interest rate caps was an asset of £42,000 (2017 – £13,000 asset).

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

	Group	
	31 July 2018 £'000	31 July 2017 £'000
Trade receivables	13,510	10,474
Prepayments and other receivables not classified as financial instruments	1,281	1,254
Trade and other receivables (note 20)	14,791	11,728

	Group	
	31 July 2018 £'000	31 July 2017 £'000
Trade receivables	12,333	11,810
Other taxes and social security not classified as financial instruments	198	506
Trade and other payables (note 22)	12,531	12,316

The Group's activities expose it to certain financial risks: market risk, credit risk and liquidity risk. The overall risk management programme focuses upon the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Directors, who identify and evaluate financial risks in close cooperation with key members of staff.

A) MARKET RISK

Market risk is the risk of loss that may arise from changes in market factors, such as interest rates and foreign exchange rates.

B) CREDIT RISK

Credit risk is the financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligation. Credit risk arises from the Group's cash and cash equivalents and receivables balances. Accordingly, the possibility of material loss arising in the event of non-performance by counterparties is considered to be unlikely. Cash at bank is held with banks with high-quality external credit rating.

C) LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's prudent liquidity risk management and implies maintaining sufficient cash. The Directors monitor rolling forecasts of the Group's liquidity and cash and cash equivalents based upon expected cash flow.

MARKET RISK

The Group's interest bearing liabilities relate to its variable rate banking facilities. The Group has a policy of maintaining a portion of its banking facilities under the protection of interest rate swaps and caps to ensure the certainty of future interest cash flows and offering protection against market-driven interest rate movements.

The Group's market risk relating to foreign currency exchange rates is commented on separately below.

CREDIT RISK

The Group's sales are primarily made with credit terms, exposing the Group to the risk of non-payment by customers. The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed regularly by the board. In addition, the Group maintains a suitable level of credit insurance against its debtor book.

LIQUIDITY RISK MANAGEMENT

The Group is funded by external banking facilities provided by HSBC. Within these facilities, the Group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the Group has sufficient available funds for operations and planned expansions.

FOREIGN CURRENCY RISK MANAGEMENT

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates. The Group's exposure to foreign currency risk is partially hedged by virtue of invoicing a proportion of its turnover in US Dollars and Euros. When necessary, the Group uses foreign exchange forward contracts to further mitigate this exposure.

The following is a note of the assets and liabilities denominated at each period end in US Dollars:

	Group	
	31 July 2018 $'000	**31 July 2017 $'000**
Trade receivables	7,458	10,618
Other receivables and prepayments	474	688
Net cash, overdrafts and revolving facilities	1,431	(682)
Import loans	(8,576)	(702)
Invoice discounting	(1,955)	(1,120)
Trade payables	(9,319)	(6,421)
	(10,487)	2,381

The effect of a 20 % strengthening of Sterling at 31 July 2018 on the foreign denominated financial instruments carried at that date would, all variables held constant, have resulted in an increase to total comprehensive income for the period and an increase to net assets of £1,078,000 (2017 – £244,000 decrease). A 20 % weakening of the exchange rate on the same basis, would have resulted in a decrease to total comprehensive income and a decrease to net assets of £1,617,000 (2017– £367,000 increase).

The following is a note of the assets and liabilities denominated at each period end in Euros:

	Group	
	31 July 2018 €'000	**31 July 2017 €'000**
Trade receivables	3,457	346
Other receivables and prepayments	253	-
Net cash, overdrafts and revolving facilities	(222)	(175)
Invoice discounting	(2,395)	(177)
Trade payables	(164)	(18)
	929	(24)

The effect of a 20 % strengthening of Sterling at 31 July 2018 on the foreign denominated financial instruments carried at that date would, all variables held constant, have resulted in an increase to total comprehensive income for the period and a decrease to net liability of £112,000 (2017 – £3,000 increase). A 20 % weakening of the exchange rate on the same basis, would have resulted in a decrease to total comprehensive income and an increase to net assets of £168,000 (2017 – £4,000 decrease).

The Directors have shown a sensitivity movement of 20 % as, due to the current uncertainty given the current economic climate, this is deemed to be the largest potential movement in currency that could occur in the near future.

CAPITAL RISK MANAGEMENT

The Group is funded by equity and loans. The components of shareholders' equity are:

a) The share capital and share premium account arising on the issue of shares.

b) The hedging reserve reflecting gains and losses on derivative instruments that have been designated as a hedge, for hedge accounting purposes.

c) The share-based payment reserve reflecting the cumulative charges recognised in relation to share-based payment transactions.

d) The retained earnings reflecting comprehensive income to date.

The Group's objective when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long-term. The capital structure of the Group is managed and adjusted to reflect changes in economic conditions. The Group funds its expenditures on commitments from existing cash and cash equivalent balances, primarily received from existing bank facilities and profits generated. Financing decisions are made based upon forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans.

FAIR VALUE ESTIMATION

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

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

MATURITY OF FINANCIAL ASSETS AND LIABILITIES

All of the Group's non-derivative financial liabilities and its financial assets at the reporting date are either payable or receivable within one year, except for borrowings as disclosed in note 23.

25. SHARE CAPITAL

NUMBER OF SHARES IN ISSUE

	31 July 2018	
Issued and fully paid:	**Number**	**£'000**
Ordinary shares of 0.25 p	82,169,600	205
Total shares	82,169,600	205

	31 July 2017	
Issued and fully paid:	**Number**	**£'000**
Ordinary shares of 0.25 p	82,169,600	205
Total shares	82,169,600	205

RECONCILIATION OF MOVEMENTS IN SHARE CAPITAL

	Number	£'000
At 1 August 2017 and 31 July 2018	82,169,600	205

RIGHTS OF SHARE CAPITAL

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

26. SHARE-BASED PAYMENTS

The Group had 2 share option schemes in place during the years ended 31 July 2017 and 31 July 2018 as follows:

1. EMI OPTION SCHEME – 2014

On 12 June 2014, the Company established an enterprise management incentive scheme, the UP Global Sourcing Holdings EMI Share Option Plan ('Plan'), to grant certain employees options to acquire B ordinary shares of £1 each in the Company.

On and around 12 June 2014, the Company granted 21,157 options to certain senior managers within the business. The options had an exercise price of £1 each and could only be exercised in the event of a share sale or listing of the Company. Vesting of the options was subject to continued employment within the UP Global Sourcing Holdings plc Group. At the grant date, the fair value of the options was deemed to be £nil and as such, no charge has been recognised in the income statement.

Immediately preceding the Company's listing on the main market of the London Stock Exchange, the options were exercised, resulting in the issue of 21,157 £1 ordinary shares, which were subsequently subdivided into 0.25 p ordinary shares; with each £1 share being redesignated into 400 0.25 p shares; increasing the total number of shares in issue by 8,462,800.

2. *MIP OPTION SCHEME – 2017*

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

Exercise of the put option is subject to the share price of UP Global Sourcing Holdings plc exceeding a hurdle set at a 30 % premium to the IPO price. At the point of exercise, the recipient will receive the value of the Subsidiary Shares in either cash or shares in UP Global Sourcing Holdings plc ('Plc Shares'), at the discretion of UP Global Sourcing Holdings plc, subject to a cap of 6.25 % of the issued share capital of UP Global Sourcing Holdings plc as at the date of the IPO.

The number and weighted average exercise price of the options in issue, based upon the conditions present at each year end were as follows:

	Number of shares under option 2018	Weighted average exercise price 2018	Number of shares under option 2017	Weighted average exercise price 2017
Outstanding at beginning of the year	2,258,735	-	8,462,800	0.25 p
Exercised during the year	-	-	(8,462,800)	(0.25 p)
Granted during the year	-	-	2,258,735	-
Reduction in potential options due to adverse performance conditions	(2,258,735)		-	-
Outstanding at the end of the year	-	-	2,258,735	-

The reduction in potential options, due to adverse performance conditions, represents the fact that as at 31 July 2018 the share price has not met the hurdle price referred to above and as a result no shares are currently under option.

The options were valued using the Monte Carlo option pricing model. This model was deemed the most appropriate as it is capable of capturing market-based performance conditions and simulating a number of possible outcomes, allowing the value of each outcome to be assessed.

The total expense recognised relating to share-based payments was £192,000 (2017 – £80,000).

The inputs to the Monte Carlo model were as follows:

Volatility is a measure of the amount by which the underlying share price is expected to fluctuate over the life of the option. The Subsidiary Shares were awarded in connection with the Company's IPO and as such, there is no historical share price for the Company at 28 February 2017 from which to observe historical volatility.

For newly-listed entities, IFRS 2 states that entities should consider the volatility of comparable listed companies following a comparable period in their lives (i.e. post-IPO).

The Directors identified four comparable companies and have adopted the annualised historical volatility for the comparable companies over the seven-year period prior to the grant date.

MIP options granted in the year end 31 July 2017

Share price at date of grant	£1.28
Time to expiry (years)	7
Risk-free rate (%)	0.7
Volatility (%)	24
Dividend yield	5.1

27. RESERVES

SHARE PREMIUM

Consideration received for shares issued above their nominal value net of transaction costs.

HEDGING RESERVE

Gains and losses arising on forward currency contracts and on fixed to floating interest rate swaps that have been designated as hedges for hedge accounting purposes.

RETAINED EARNINGS

Cumulative profit and loss net of distributions to owners.

SHARE-BASED PAYMENT RESERVE

The cumulative share-based payment expense.

28. ULTIMATE CONTROLLING PARTY

In the opinion of the Directors, there is no single controlling party.

29. RELATED PARTY TRANSACTIONS

REMUNERATION OF KEY PERSONNEL

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

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Short-term remuneration	1,905	3,741
Other pension costs	64	82
Share-based payments	183	70
	2,152	3,893

TRANSACTIONS AND BALANCES WITH KEY PERSONNEL

Certain Directors were indebted to the Group in respect of credit transactions. Interest was charged on these transactions at HM Revenue & Customs' official rate of interest. No balances were outstanding from Directors at the end of either period and the maximum balance outstanding during the periods are set out below:

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Maximum balances outstanding:		
S Showman	-	29
B Franks	-	2

Additionally, Directors purchased goods from the Group during the year to 31 July 2018 and the total for all Directors amounted to £573 (2017 – £854).

TRANSACTIONS AND BALANCES WITH RELATED COMPANIES AND BUSINESSES

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Transactions with related companies:		
Rent paid to Ultimate Apartments Pension Scheme	-	163
Rent paid to Heron Mill Limited	285	241
Rent paid to Ultimate Apartments Limited	-	3
Rent paid to Berbar Properties Limited	180	17

The above companies are related due to common control and Directors. Barry Franks is a trustee and beneficiary of the Ultimate Apartments Pension Scheme. Barry Franks, Andrew Gossage and Simon Showman are Directors of Heron Mill Limited. Barry Franks (15 ordinary shares of £1.00 each), Simon Showman (50 ordinary shares of £1.00 each) and A&T Property Investments Limited (20 ordinary shares of £1.00 each) are also shareholders of Heron Mill Limited. Andrew Gossage is a Director of A&T Property Investments Limited. Barry Franks is a Director and the sole shareholder of Berbar Properties Limited.

There were no outstanding balances with related companies or businesses at 31 July 2018 or 31 July 2017.

30. OPERATING LEASE ARRANGEMENTS

	Group	
	31 July 2018 £'000	31 July 2017 £'000
Outstanding commitments for future minimum lease payments under non-cancellable operating leases were as follows:		
Within one year	887	764
In the second to fifth years inclusive	2,579	2,115
In greater than five years	53	435
	3,519	3,314

31. POST BALANCE SHEET EVENTS

On 2 August 2018, the Company established the UP Global Sourcing Employee Benefit Trust ('EBT'). The EBT was established to hold shares for the benefit of the Company's employees and to satisfy the vesting of awards made under the Company's Performance Share Plan ('PSP'). Under the conditions in force as at the date of this report, the Company has control over the EBT and therefore the EBT will be included in future consolidated Financial Statements of the Group, whilst such conditions prevail.

On 14 August 2018 the EBT acquired 2,011,000 shares for a total cost of £749,308, including the associated acquisition costs. Following the above transaction, the EBT holds 2,011,000 shares, representing 2.45 % of the Company's issued share capital with voting rights.

SHAREHOLDER INFORMATION

WEIGHT WATCHERS 3-Tier Steamer
Kitchen electricals for a healthy, wholesome lifestyle

ACHIEVING SUSTAINABLE SUCCESS

FIVE-YEAR SUMMARY

Set out below are the income statements showing the results for each of the 5 years to 31 July 2018. On 11 July 2014, the Group changed its accounting reference date from 31 July to 30 April. On 5 April 2015, the Group changed its accounting reference date back to 31 July. The Directors believe that the historical information is more helpful when provided as the years ending 31 July 2014 and 31 July 2015 and this information was included as an additional disclosure in note 32 of the Historical Financial Information in Section B of Part 10 to the Prospectus issued on 1 March 2017.

	Audited year ended 31 July 2018 £'000	Audited year ended 31 July 2017 £'000	Audited year ended 31 July 2016[2] £'000	Unaudited[1] year ended 31 July 2015[2] £'000	Unaudited[1] year ended 31 July 2014 £'000
Revenue	87,571	109,953	79,028	64,100	52,797
Cost of sales	(67,979)	(85,386)	(60,114)	(48,880)	(41,250)
Gross profit	**19,592**	**24,567**	**18,914**	**15,220**	**11,547**
Administration expenses	(13,839)	(16,676)	(12,214)	(10,453)	(9,837)
Profit from operations	**5,753**	**7,891**	**6,700**	**4,767**	**1,710**
Finance income	53	-	-	-	127
Finance costs	(383)	(464)	(441)	(471)	(1,904)
Profit/(loss) before taxation	**5,423**	**7,427**	**6,259**	**4,296**	**(67)**
Income tax	(1,141)	(1,852)	(1,361)	(738)	(92)
Profit/(loss) for the period	**4,282**	**5,575**	**4,898**	**3,558**	**(159)**

[1] The information in the table above, in respect of the year ended 31 July 2014 and the year ended 31 July 2015, is unaudited and has been prepared from the Group's accounting records using the accounting policies set out in note 3 to the Financial Statements.

[2] The results for each of the years ended 31 July 2014, 31 July 2015 and 31 July 2016 were restated in the year to 31 July 2017, to reflect the change in accounting policy to reclassify certain distribution and administration expenses as cost of sales.

Shareholder Information

Five-Year Summary

NON-GAAP PERFORMANCE MEASURES

	Audited year ended 31 July 2018 £'000	Audited year ended 31 July 2017 £'000	Audited year ended 31 July 2016 £'000	Unaudited[1] year ended 31 July 2015 £'000	Unaudited[1] year ended 31 July 2014 £'000
EBITDA	6,280	8,280	6,980	5,017	1,980
Underlying EBITDA	6,472	11,512	8,226	5,688	1,980
Underlying EBITDA margin	7.4 %	10.5 %	10.4 %	8.9 %	3.8 %
Underlying profit/(loss) before tax	5,615	10,659	7,505	4,967	(67)
Underlying profit/(loss) after tax	4,474	8,406	5,895	4,090	(159)
Underlying earnings/(losses) per share	5.4 p	10.9 p	8.0 p	5.5 p	(0.1) p

[1] The information in the table above, in respect of the year ended 31 July 2014 and the year ended 31 July 2015, is unaudited and has been prepared from the Group's accounting records using the accounting policies set out in note 3 to the Financial Statements.

COMPANY INFORMATION

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Manchester M3 3AT.

Registrars
Equiniti Ltd, Aspect House,
Spencer Road, Lancing
West Sussex BN99 6DA.

Registered Number
05432142

ZFRAME Lightweight Suitcases

Very, very light but seriously strong

Shareholder Information

Five-Year Summary continued

Glossary

The following definitions apply throughout this Annual Report unless the context requires otherwise:

Term	Definition
‘Audit and Risk Committee’	the audit and risk committee of the Board;
‘B2C’	business to consumer;
‘Board’	the board of Directors;
‘CA$’ or ‘CAD’ or ‘Canadian Dollar	the lawful currency of Canada
‘Company’ or ‘Ultimate Products’	UP Global Sourcing Holdings plc, a company incorporated in England and Wales with registered number 05432142;
‘CY 18’	the calendar year 2018;
‘Directors’	the Executive and Non-Executive Directors;
‘EBITDA’	Earnings before interest, tax, depreciation and amortisation;
‘EMI Scheme’	the Enterprise Management Incentive approved employee share scheme under which share options were granted in 2014;
‘ETI Code of Conduct’	Ethical Trading Initiative code based on the conventions of the International Labour Organisation;
‘Executive Directors’	Simon Showman, Andrew Gossage and Graham Screawn;
‘FCA’ or ‘Financial Conduct Authority’	the UK Financial Conduct Authority;
‘Free Cash Flow’	net cash from operations less net capital expenditure (after deducting disposal proceeds) and less net interest paid in the year (after deducting interest received);
‘Free on Board’ or ‘FOB’	the free on board contractual arrangements pursuant to which goods are handed over to the Group’s customers in the country of origin and are then imported into the UK and other territories by those same customers;
‘FSMA’	the Financial Services and Markets Act 2000, as amended;
‘FY 17’	the financial year for the Group for the 12 months ended 31 July 2017;

Shareholder Information

Glossary continued

Term	Definition
'FY 18'	the financial year for the Group for the 12 months ended 31 July 2018;
'FY 19'	the financial year for the Group for the 12 months ended 31 July 2019;
'FY 20'	the financial year for the Group for the 12 months ended 31 July 2020;
'FY 21'	the financial year for the Group for the 12 months ended 31 July 2021;
'FY 22'	the financial year for the Group for the 12 months ended 31 July 2022
'Group'	the Company and its Subsidiaries from time to time;
'Independent Non-Executive Directors'	independent Non-Executive Directors of the Company, within the meaning of the UK Corporate Governance Code, being James McCarthy, Robbie Bell and Alan Rigby;
'IPO' or 'Initial Public Offering'	the Group's admission to the premium segment of the Official List of the Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange plc on 6 March 2017;
'IPO Placing Price'	£1.28;
'Landed'	the Landed duty paid arrangements pursuant to which the Group imports goods into the UK;
'LFL'	like-for-like;
'Net Debt'	total borrowings excluding unamortised debt issue costs and less cash balances at the end of the financial year;
'Net Debt/Underlying EBITDA Ratio'	Net Debt at the end of the financial year divided by Underlying EBITDA for the same period;
'Nomination Committee'	the nomination committee of the Board;
'Non-Executive Directors'	James McCarthy, Barry Franks, Robbie Bell and Alan Rigby;

Term	Definition
'Official List'	the Official List of the UK Listing Authority;
'QA'	quality assurance;
'Remuneration Committee'	the Remuneration Committee of the Board;
'Remuneration Policy'	the proposed Remuneration Policy of the Board;
'SEDEX'	a not-for-profit membership organisation dedicated to driving improvements in responsible and ethical business practices in global supply chains;
'Shareholder Bonuses'	the bonus arrangements agreed by the Company on 11 June 2014 relating to Simon Showman and Andrew Gossage for the periods up to and including FY 17, ending thereafter;
'Sterling' or 'GBP' or '£'	the lawful currency of the UK;
'Subsidiary'	has the meaning given to it in section 1159 of the Companies Act and includes group companies included in the consolidated Financial Statements of the Group from time to time;
'UK Listing Authority'	the FCA in its capacity as the competent authority for the purposes of Part VI of FSMA;
'Underlying Earnings Per Share'	Earnings Per Share after adding back the effect after tax of the exceptional items and share-based payment charges;
'Underlying EBITDA'	EBITDA after adding back the exceptional items and share-based payment charges;
'Underlying EBITDA Margin'	Underlying EBITDA divided by revenue for the same period, expressed as a percentage;
'Underlying Profit Before Tax'	profit before taxation after adding back the exceptional items and share-based payment charges;
'Underlying Profit for the Year'	profit for the year after adding back the after tax effect for the exceptional items and share-based payment charges;
'United Kingdom' or 'UK'	the United Kingdom of Great Britain and Northern Ireland;
'US$' or 'USD' or 'US Dollar'	the lawful currency of the United States of America;

RECONCILIATION OF UNDERLYING PERFORMANCE MEASURES

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000	Unaudited[1] year ended 31 July 2015 £'000	Unaudited[1] year ended 31 July 2014 £'000
Profit from operations	5,753	7,891	6,700	4,767	1,710
Depreciation	527	394	280	251	280
Gain on disposal	-	(5)	-	(1)	(10)
EBITDA	**6,280**	**8,280**	**6,980**	**5,017**	**1,980**
Exceptional items and share-based payment charges	192	3,232	1,246	671	-
Underlying EBITDA	**6,472**	**11,512**	**8,226**	**5,688**	**1,980**
Profit/(loss) before taxation	5,423	7,427	6,259	4,296	(67)
Exceptional items and share-based payment charges	192	3,232	1,246	671	-
Underlying profit (loss) before tax	**5,615**	**10,659**	**7,505**	**4,967**	**(67)**
Profit/(loss) for the year	4,282	5,575	4,898	3,558	(159)
Exceptional items and share-based payment charges	192	3,232	1,246	671	-
Tax on exceptional items and share-based payment charges	-	(401)	(249)	(139)	-
Underlying profit/(loss) for the year	**4,474**	**8,406**	**5,895**	**4,090**	**(159)**
Underlying profit/(loss) for the year	4,474	8,406	5,895	4,090	(159)
No of shares	82,169,600	77,254,220	73,863,084	74,106,800	157,921,310
Underlying earnings/(losses) per share	**5.4 p**	**10.9 p**	**8.0 p**	**0.5 p**	**(0.1) p**

[1] The information in the table above, in respect of the year ended 31 July 2014 and the year ended 31 July 2015, is unaudited and has been prepared from the Group's accounting records using the accounting policies set out in note 3 to the Financial Statements.

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