ULTIMATE PRODUCTS

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2019

WELCOME TO THE HOME OF BRANDS

UP GLOBAL SOURCING HOLDINGS PLC
Annual Report & Accounts 2019

ULTIMATE PRODUCTS

REPORT CONTENTS

INTEMPO *Active Audio Range*
Functional, practical and on-trend

FINANCIAL HIGHLIGHTS

REVENUE	UNDERLYING PROFIT BEFORE TAX*	NET DEBT/UNDERLYING EBITDA RATIO*
£123.3 M	£8.5 M	1.5 X
+40.8 %	+50.5 %	

HIGHLIGHTS

- Revenue: £123.3 m (FY 18 – £87.6 m, +40.8 %)
  - International revenue: £48.5 m (FY 18 – £24.0 m, +101.8 %)
  - Online revenue: £11.4 m (FY 18 – £7.0 m, +63.2 %)
- Underlying EBITDA*: £9.9 m (FY 18 – £6.5 m, +53.4 %)
- Underlying EBITDA Margin*: 8.1 % (FY 18 – 7.4 %, +70 bps)
- Underlying Profit Before Tax*: £8.5 m (FY 18 – £5.6 m, +50.5 %)
- Profit Before Tax: £8.2 m (FY 18 – £5.4 m, +51.1 %)
- Net Debt: £14.4 m (FY 18 – £12.8 m)
- Net Debt/Underlying EBITDA Ratio*: 1.5 x (FY 18 : 2.0 x)
- Bank facility headroom: £10.1 m (FY 18 : £9.1 m)
- Underlying Earnings Per Share*: 8.2 p (FY 18 – 5.4 p, +51.9 %)
- Full year Dividend Per Share: 4.085 p (FY 18 – 2.72 p, +50.2 %)

*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 share-based payment charges as referred to in note 7 to the Financial Statements.

SALTER *Skandi Range*
Stylish, nordic inspired design

STRATEGIC REPORT

STRATEGIC REPORT

CHAIRMAN'S INTRODUCTION

ADAPTING *to MAINTAIN* PERFORMANCE

I am pleased to introduce the Annual Report for FY 19, a year of substantial progress when the business demonstrated its resilience, adaptability and ability to grow against a background of continuing economic turbulence.

STRATEGY

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

- Discounters;
- Supermarkets;
- Online platforms; and
- International retailers.

This tried and tested approach has delivered a strong performance in FY 19, despite a challenging market for general merchandise in the UK, the Group's main market, and the Board remains confident that this strategy will continue to deliver sustainable growth.

The business has a superb range of innovative and great value products, an excellent and well invested supply chain, a strong and extensive customer base and, not least, the committed and talented colleagues that we employ who deliver our Company values every day. We offer all our customers 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.

PERFORMANCE

Revenue and profitability saw substantial improvement in the year, despite the challenging economic backdrop. The increase in revenue was broad based across our 4 strategic pillars with supermarkets, online and international experiencing particularly high rates of growth.

International customers accounted for 39.4 % of the Group's revenue (FY 18 – 27.4 %) and the online customers (across UK and international) accounted for 9.2 % (FY 18 – 7.9 %).

Our balance sheet remains strong with the Group maintaining comfortable levels of headroom within its facilities and operating well within its banking covenants. In October 2019, the Group successfully refinanced its bank facilities extending them to 2024.

> **The Group's financial strength and certainty in its long-term funding provides a sound platform for continued growth and the financial strength to take advantage of any appropriate opportunities.**

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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 2.925 p per share (FY 18 – 1.89 p) to give a total dividend of 4.085 p per share for the full year (FY 18 – 2.72 p).

The final dividend is payable on 30 January 2020 to shareholders on the register on 3 January 2020.

SUMMARY

FY 19 was a year of substantial growth and continuing diversification, with the business becoming less dependent on its home market by developing a broader customer base and opening up new online channels to market. This has been delivered while maintaining high service levels which reflect the Group's long-term investment in its overall supply chain, systems and people. Excellence in execution sets the Group apart from its competition and would not be possible without our dedicated colleagues. On behalf of all our stakeholders, I thank them for their talent, hard work and commitment over the past year.

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

James McCarthy
Chairman
4 November 2019

PROGRESS *Glacier Marble Pan Set*
Suitable for all hob types

TRADING

Group revenue increased by 40.8 % to £123.3 m (FY 18 – £87.6 m) reflecting good growth across each of our four strategic pillars: discounters, supermarkets, online platforms and international customers.

As reported previously, revenue in the prior year was reduced by approximately £4.5 m as a result of the one-off timing impact of a key European customer moving from Free on Board to Landed delivery arrangements. After adjusting for this, the normalised revenue growth in the year was 33.9 %.

As a result of these higher revenues, Underlying EBITDA was up 53.4 % to £9.9 m (FY 18 - £6.5 m) and Underlying Profit Before Tax was up 50.5 % to £8.5 m (FY 18 – £5.6 m). Gross Margin was down slightly at 22.1 % (FY 18 – 22.4 %).

DISCOUNTERS

Sales to discounters grew by £18.8 m or 41.2 %. This was characterised by strong growth internationally, predominantly in mainland Europe. Overall sales to UK discounters were down but saw a return to growth in H2 FY 19. As highlighted above, part of the international growth was the result of a one-off timing impact which reduced revenue by £4.5 m in the prior year.

SUPERMARKETS

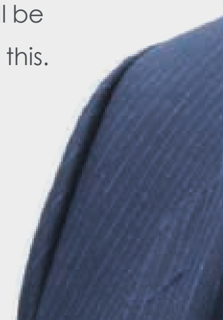
Our brands continue to resonate well with the supermarket shopper and, as a result, supermarket revenue experienced robust growth, increasing by £8.0 m or 66.5 %, with the key drivers being the Salter and Beldray brands. This segment now accounts for 16.3 % of overall revenue. The strong growth has continued since the year-end with a healthy order book for H1 FY 20.

"We are confident that we can continue to mitigate the various pressures on gross margin through our longstanding sourcing expertise and through our focus on detail which I believe sets us apart from our competition."

ONLINE PLATFORMS

The online segment showed continued and substantial growth, with revenue up £4.4 m or 63.2 % in FY 19. Online accounted for 9.2 % of overall revenue (FY 18 – 7.9 %) against a long-term target of 20 %+. The momentum from FY 19 has continued into FY 20 with turnover to date significantly ahead of last year. In only a few years, online has gone from a start-up to a substantial contributor to overall revenue.

During Q1 FY 20, we successfully launched our offer in Germany on a major online platform there and now have the template for a pan-European roll-out which we plan to execute during the rest of FY 20 utilising third-party logistics. This is an exciting new development for the business and we will be investing in additional headcount to facilitate this.



INTERNATIONAL RETAILERS

Our international business generated revenue growth of £24.5 m or 101.8 % compared to FY 18. International sales now represent 39.4 % of total revenue (FY 18 – 27.4 %) with the Beldray, Russell Hobbs and Progress brands performing particularly well.

While we saw growth across a number of international territories, Germany was the largest single contributor reflecting the investment in our office and showroom in Cologne. During H2 FY 19, we also recruited senior sales personnel there to help drive revenue growth in FY 20 and beyond.

The Board continues to see the Group's international business as providing both a substantial growth opportunity and also further geographical diversification.

MARGIN

Gross margin was down slightly at 22.1 % (FY 18 – 22.4 %) reflecting the continued challenge of a weak exchange rate. We are confident that we can continue to mitigate the various pressures on gross margin through our longstanding sourcing expertise and through our focus on detail which I believe sets us apart from our competition.

Despite the small decrease in gross margin of 0.3 %, our Underlying EBITDA Margin improved by 0.7 % from 7.4 % to 8.1 % as turnover growth exceeded overhead growth. Nonetheless, we have experienced increased salary inflation as a result of higher employment, increased demand for graduates, lower availability of EU staff and above inflation increases in the National Living Wage. To offset these increases and the additional requirements of online and international growth, the business continues to invest in its systems and colleagues and has seen significant productivity improvements as a result.

TARGETING CONTINUED SUCCESS

STRATEGIC REPORT

CHIEF EXECUTIVE'S REVIEW *CONTINUED*

RUSSELL HOBBS *Ovenware*
Durable, vitreous enamel coated

BRANDS

In September 2019, we renewed the Russell Hobbs trademark licence with Spectrum Brands through to March 2023. The licence grants us the exclusive right to use the brand on cookware (not electrical appliances) and, significantly, has been extended to cover the entire European Union. This is an important next step in our longstanding partnership with Spectrum Brands, dating back to 2011, and we are excited about the future prospects for this brand. In FY 19, the Group generated revenues of £9.4 m (FY 18 - £6.9 m) under the Russell Hobbs brand which accounted for 7.6 % (FY 18 – 7.9 %) of total revenues.

The relaunch of the Kleeneze brand, purchased at the end of FY 18, has been successful so far with the rebrand being well-received by retailers and consumers alike with listings now in place across a mix of online and physical retailers. Market research indicates a very high rate of consumer awareness of the brand which augurs well for its future performance.

OPERATIONS

During CY 20, we plan to invest £1.8 m in our head office to provide the additional capacity for future growth and a better quality workspace for our colleagues. We see this as an important next step in our recruitment and retention of key talent, including through our Graduate Development Scheme, as well as giving sufficient headroom for growth for the foreseeable future.

EMPLOYEE SHARE PARTICIPATION

The Group launched a Save As You Earn ('SAYE') share option scheme in the year for UK colleagues. The participation rate was high, with 68.8 % of eligible staff opting to join the scheme at an average savings rate of £142 per month. As a result, a grant of options was made equating to 1.54 % of the current issued share capital of the Group.

Also during the period, a grant of options was made under the Group's Performance Share Plan ('PSP') equating to 1.36 % of the current issued share capital of the Group. These options were granted to 21 key managers across the business. Andrew Gossage, Managing Director, and I asked not to participate in the PSP as we are already substantial shareholders.

It is intended that any future exercise of the above options will be fully satisfied through the shares currently held in trust by the UP Global Sourcing Employee Benefit Trust ('UPGS EBT') with no dilution to existing shareholders.

At Main Board level, Operating Board level and below, we already have a number of managers who are shareholders in the Group. As co-founder, I am delighted and proud that our status as a listed business means that we are able, through the SAYE scheme and PSP, to make even more of our managers and colleagues co-owners in the business. Our people's hard work and talent is crucial to the business' success and this development will further improve retention and motivation.

BREXIT

The Board continues to assess the implications of a 'no deal' Brexit and the potential impact on volumes and margins if it led to a material devaluation in Sterling. However, in the longer term, the Board is confident in the adaptability and resilience of the Group's business model, as evidenced by the strong recovery in trading in FY 19 despite a challenging consumer and retail market. Brexit is commented on further in the Financial Review.

CURRENT TRADING AND OUTLOOK

The market conditions for general merchandise remain challenging in the UK and Ultimate Products, like many others, is faced with an uncertain environment for consumers, retailers and suppliers. Despite these challenges, the Group has delivered strong growth and a good set of results for FY 19 through a relentless focus on our strategy.

Current trading is in line with expectations with the FY 20 order book moderately ahead of this time last year and, while the conditions in the UK look set to remain challenging, the Board remains confident about the Group's future prospects.

Simon Showman
Chief Executive Officer
4 November 2019

ACHIEVING *GOALS* *and* POSITIVE RESULTS

Business Model and Operations

BEAUTIFUL PRODUCTS FOR EVERY HOME

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 16 countries with over 84 % coming from China.
- **We are branded:** Including Beldray, Salter, Intempo, Russell Hobbs, Progress, and Kleeneze.
- **We market:** Using social media builds awareness of our products and brands.
- **We sell:** Wholesale selling to 300 + retailers with a growing online offer. Supply channels include bespoke forward orders as FOB or landed, along with a growing direct-from-stock option.
- **We invest in quality:** Both our UK and China offices have in-house teams of QA professionals. We are a member of SEDEX and audit our key suppliers to the ETI Code of Conduct.
- **We invest in our people:** We now employ 125 people who are either on, or have completed our graduate schemes.
- **We invest in our systems:** We have developed systems and applications that can manage the complexity of supplying retail and online in a cost-effective and scalable manner.
- **We are low cost:** Keeping our costs down allows us to retail our products at competitive prices.

Operations:

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

BUSINESS STRATEGY

THE FOUR PILLARS TO GROWTH

1. International: We are a global business, already selling into 38 countries worldwide and with 39 % of our revenues coming from international customers. Our product offer of branded general merchandise at mass-market prices is compelling for consumers in other territories, just as much as it is in the UK. We are targeting large international retailers, normally on an FOB basis, with a current focus on Europe and Germany in particular.

International

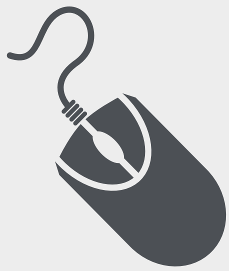
2. Discounters: Branded products at mass-market prices are also attractive to discount shoppers and offer them a compelling proposition, where own-label products may not be an option. Discount is a fast-growing segment of the UK and European retail market for general merchandise. Our strategy is to increase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

Discounters

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

Supermarkets

4. Online channels: Online now accounts for over 20 % of non-food retail sales in the UK. In FY 19, online channels accounted for 9.2 % (FY 18 – 7.9 %) of our sales. Clearly there is significant opportunity for further growth through platforms such as Amazon and our objective is to grow this business to 20 % of revenue over the medium to long term. In addition, we believe that there is 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.	£123.3 m (+40.8 %)
Sales per Head	Revenue for the period divided by the average number of permanent employees in the period.	£465.1 k (+23.2 %)
Gross Margin Percentage	Gross profit for the period divided by revenue for the period.	22.1 % (-30 bps)
Underlying EBITDA*	Profit before interest, tax, depreciation and amortisation, excluding charges for share-based payments.	£9.9 m (+53.4 %)
Underlying EBITDA Margin*	Underlying EBITDA for the period divided by revenue for the period.	8.1 % (+70 bps)
Underlying Profit Before Tax*	Profit before tax excluding charges for share-based payments.	£8.5 m (+50.5 %)
Net Debt/Underlying EBITDA* Ratio	Net debt at the end of the period divided by underlying EBITDA for the period.	1.5 x (FY 18 – 2.0 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.	98.9 % (FY 18 – 98.7 %)

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

PLANNING for *SUSTAINABLE* GROWTH

The financial results for the year ended 31 July 2019 show a pleasing improvement for the Group in what was still a challenging consumer-focused environment, with positive development across most measures set out in the table below.

OVERVIEW

	FY 19	FY 18	Change
Revenue (£'m)	123.3	87.6	+40.8 %
Gross margin	22.1 %	22.4 %	-30 bps
Underlying EBITDA (£'m)*	9.9	6.5	+53.4 %
Underlying EBITDA margin*	8.1 %	7.4 %	+70 bps
Underlying profit for the year (£'m)*	6.7	4.5	+50.2 %
Profit for the year (£'m)	6.5	4.3	+50.9 %
Net cash generated/(used) from operations (£'m)	3.8	(2.1)	+£5.9 m
Free cash flow (£'m)*	2.5	(3.2)	+£5.7 m
Net debt (£'m)*	14.4	12.8	+£1.6 m
Net debt/Underlying EBITDA ratio*	1.5 x	2.0 x	-25.0 %
Underlying earnings per share (p)*	8.2	5.4	+51.9 %

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

REVENUE

FY 19 revenue increased by 40.8 % to £123.3 m although, as previously reported, revenue in FY 18 was reduced by approximately £4.5 m due to a one-off deferral impact of a major European customer changing supply arrangements from FOB to landed. Adjusting for this deferral the normalised revenue growth is 33.9 %.

The growth was broad based, across all strategic pillars and core product groups. With the exception of Intempo all our premier brands experienced strong growth over FY 19.

The deferral impact noted above relates to discount retailers where revenue growth was 41.2 %, with the adjusted and normalised growth being 28.5 %. As explained in the Chief Executive's Review, total sales to UK discounters in FY 19 were below those of FY 18, although growth returned in H2 FY 19.

Our focus and investment in the international business has delivered disproportionate growth in FY 19, with revenue increasing to £48.5 m (+101.8 %) which now represents 39.4 % of the Group's sales (FY 18 – 27.4 %). The expansion of the international business is helping to create a more diverse customer base and reduces exposure to the UK economy. Note 6 to the financial statements indicates that whilst sales to the Group's two largest customers have increased by over 25 %, the share of sales has reduced by 4.3 % to 34.8 %.

BRANDS

The Group has continued its strategy to concentrate on offering branded, mass-market and value-led consumer goods. The summary of the Premier Brands, representing 60.8 % of total revenue (FY 18 – 61.5 %), is set out below:

	FY 19 £'m	FY 18 £'m	Change %
Beldray	32.3	21.5	+50.5
Salter	20.9	13.8	+50.8
Intempo	8.2	8.5	-2.5
Russell Hobbs	9.4	6.9	+35.5
Progress	4.1	3.2	+27.6
	74.9	53.9	+39.0

Overall growth in the Premier Brands broadly reflected the Group result with notable contributions from the 2 largest brands, Beldray and Salter, both of which had particularly strong growth to the Supermarket sector. Intempo showed marginal decline over the year and this reflected the pattern of UK discounters, the largest sector for the brand. However, similar to UK discounters, Intempo returned to growth in H2 FY 19.

Following its acquisition at the end of FY 18, the first Kleeneze sales were realised early in CY 19 and total sales in FY 19 amounted to £0.2 m.

MARGINS

The high increase in sales volume did not materially impact gross margin, which reduced slightly (30 bps) to 22.1 %, and gross profit increased by 39.1 %. Currency pressure continued to impact cost of sales, where the majority of product costs are denominated in US Dollars, and this was coupled with consumer pressure on our customers' retail price points. Mix changes continued to provide some mitigation against gross margin pressure with notably higher margin online sales increasing their share of sales (up 1.3 % to 9.2 %) and landed sales, which are also typically higher gross margin, (includes online sales) increasing from 47.8 % to 51.8 % of sales.

Against the 39.1 % increase in gross profit, productivity improvements helped to drive profitability as underlying overheads (excluding the share-based payment charges, depreciation and amortisation) increased to a lesser extent (+32.0 %), resulting in the Group's underlying EBITDA margin growing by 70 bps to 8.1 %.

OVERHEADS

Administrative expenses, excluding share-based payment charges, increased by £4.5 m (32.7 %) to £18.1 m in FY 19. Of this increase, Underlying Overheads (excluding depreciation and amortisation) increased by £4.2 m. 'Resource costs' (essentially payroll costs plus temporary staff) are over 65 % of overheads and are the principal component of the increase in overheads. Contributors to the increase in resource costs include a 21 % increase in average headcount (including temporary agency staff, used to manage varying warehouse demand). Beyond the impact of sales volume on headcount and the investment in the international sales team over the course of the year, the developing changes to the revenue profile of the business have also had an influence. International growth has resulted in a more diverse customer base but it brings with it greater complexity and higher overheads. Similarly, online and other landed sales in general represent a higher share of sales in FY 19, both of which also require a higher overhead to serve compared to FOB, typically compensated by a higher gross margin as referred to above. Furthermore, as referred to in the Chief Executive's Review, a number of inflationary pressures on salary costs have had a notable impact and, in addition, the improved results have also led to increased performance-driven bonus costs.

The increase in depreciation and amortisation of £0.3 m included £0.1 m from having a full year's charge on the FY 18 capital expenditure incurred on completing the Heron Mill warehouse refurbishment, opening the Cologne showroom and a further £0.1 m was accelerated in anticipation of the planned improvements to the Manor Mill site.

SHARE-BASED PAYMENT CHARGES

The non-cash, share-based payment charges relate to the Management Incentive Plan, introduced immediately prior to the IPO, and to the Save As You Earn ('SAYE') and Performance Share Plan ('PSP') share option schemes introduced during the year. 1,268,914 and 1,120,000 options were granted during the year under the SAYE and PSP schemes respectively, together amounting to 2.9 % of the Group's issued share capital, creating greater participation and ownership amongst our managers and colleagues. The charge amounted to £0.3 m (FY 18 – £0.2 m) and these costs have been shown separately in the Income Statement to better reflect the performance of the underlying business.

Further information on the share option schemes and the charges thereon are set out in note 26 to the Financial Statements.

INTEREST

Finance costs were £0.3 m higher (+80.7 %) than FY 18, primarily due to the increased trading levels and the working capital requirements thereof. With the year-end net debt at £14.4 m, the monthly average over FY 19 was £12.6 m, an increase of £5.2 m over FY 18, compared to the corresponding increase in average net working capital of £8.4 m. Additionally, FY 19 saw both Sterling and US Dollar LIBOR increase early on in the year.

TAXATION

The effective underlying tax rate is 20.5 % (FY 18 – 20.3 %).

BALANCE SHEET AND CASH FLOW

The Group's balance sheet strengthened significantly over the year, with net assets increasing by £3.1 m to £11.8 m. The key points to note regarding the balance sheet and cash flow can be summarised as follows:

Overall, **working capital** increased by £5.0 m in FY 19 (+26.3 %) compared to the normalised revenue growth of 33.9 %. The increase in working capital was significantly lower than last year's increase of £8.3 m which included a stepped increase in inventory (referred to below).

- **Inventories** increased by 23.9 % (+£3.9 m) in FY 19 compared to the increase in revenue of 40.8 %, although as FY 18 stock levels had already increased to reflect the change in supply arrangements from FOB to landed for a major European customer, the better comparative is the normalised revenue growth of 33.9 %. The increase is slightly higher for 'sold stock' purchased against a customer requirement, with 'free stock' levels up 21.7 % at £7.6 m.

- **Trade and other receivables** increased by £3.9 m (+26.6 %) compared to FY 18 of which the increase in trade receivables amounted to £4.3 m. Debtors days increased to 46 days (FY 18 – 41 days) with the monthly range over FY 19 being between 42 and 52 days, varying according to customer mix.
- **Trade and other payables** are £2.9 m (+23.2 %) higher than last year, with trade payables £0.6 m (6.9 %) higher. Accruals increased by £2.3 m, substantially comprising of the increase in performance-related payroll costs and sales volume driven customer rebates.

Derivative financial instruments, largely comprising of an asset relating to the Group's forward foreign exchange contracts, have increased by £0.3 m. The net value of the asset and liability of the derivative financial instruments almost wholly corresponds to the hedging reserve at 31 July 2019.

The **Current tax** liability has increased by £0.4 m reflecting the increase in UK and foreign tax charge as reduced by the payments made on account.

The **Employee Benefit Trust** reserve represents the shares purchased by the UPGS EBT which was established on 2 August 2018. Over the course of the year, the trust purchased 3,308,307 Shares in the Group (representing 4.03 % of the Group's issued share capital) at a cost of £1.6 m. The Group intends to satisfy the exercise of share options awarded under the SAYE and PSP schemes, referred to above, through the shares held by the trust, without dilution to existing shareholders.

As set out in the table below, net cash from operations amounted to £3.8 m, an improvement of £5.9 m compared to FY 18 and this broadly flows through to the £2.5 m free cash inflow. This reflects the year's stronger trading results and a generally more normalised movement in working capital. The tax payments in FY 19 reflect a more typical profile compared to FY 18 which included the residual benefit of the EMI scheme corporation tax credits arising in FY 17.

BELDRAY *REVO Cordless*
Quick cleaning, simple storage

	FY 19 £'m	FY 18 £'m
Underlying EBITDA*	9.9	6.5
Changes in working capital	(5.0)	(8.3)
Tax paid	(1.3)	(0.2)
Other items	0.2	(0.1)
Net cash from operations	3.8	(2.1)
Net capital expenditure	(0.7)	(0.8)
Net interest paid	(0.6)	(0.3)
Free cash flow*	2.5	(3.2)

After the free cash flow of £2.5 m, dividends of £2.4 m were paid (FY 18 – £3.6 m) and as referred to above, the UPGS EBT purchased Shares in the Group to the value of £1.6 m. Overall, this resulted in an increase in net bank debt of £1.6 m to £14.4 m, with the corresponding net debt/underlying EBITDA ratio reducing from 2.0 x to 1.5 x. Of the net bank debt, the net senior debt amounted to £1.6 m and the borrowings under the trade facilities were £12.8 m (FY 18 – £1.8 m and £11.0 m respectively), with the trade facilities supported by underlying assets, net of trade creditors, of £29.0 m (FY 18 – £21.4 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. As referred to further in note 23, on 1 October 2019 the Board was pleased to enter into a new five-year financing agreement with HSBC, providing long-term support for the future development of the business.

Over the course of the year, the Group has operated well within the covenants of the banking facilities and has maintained comfortable levels of funding headroom. Headroom at 31 July 2019 was £10.1 m (31 July 2018 – £9.1 m).

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

BREXIT

The UK's decision to leave the EU has resulted in considerable uncertainty regarding both the terms under which the UK withdraws from, and continues to trade long-term with, the EU. The following factors have been considered by the Board in assessing the potential impact of Brexit on the Group:

- A substantial majority of the Group's products are sourced from China under World Trade Organization ('WTO') trade rules and therefore do not currently benefit from an existing EU trade deal from which the UK would be withdrawing.
- Almost 50 % of the Group's sales are made on a FOB basis with delivery to the customer in the country of origin. The remainder, as Landed sales, are first imported into either the UK (being the majority) or directly into mainland Europe. With respect to the goods imported into the UK, these are mostly through ports which are not particularly used by UK/EU traffic and, therefore, any disruption at such ports is expected to be manageable.
- Less than 5 % of the Group's business is conducted over a UK/EU border.
- The Group maintains a foreign currency hedging policy and uses foreign exchange forward contracts to reduce the risk of volatility in revenue and cost of goods over the short-term.
- The impact of Brexit on the Group is largely limited to the potential adverse effect of a material devaluation in Sterling resulting from a 'no deal' Brexit and the consequences thereof on volume, margins and the wider business sentiment in the UK, a market to which the Group is significantly exposed.

The Board has incorporated the potential impact of Brexit into its assessment for the Viability Statement, specifically its impact on the UK economy. The conclusions from this assessment are set out on page 28. However, in the medium-to-long-term, the Board is confident in the adaptability of and resilience of the Group's business model and the strong clarity of proposition, as evidenced by the strong recovery in trading in FY 19 despite a challenging consumer and retail market.

The Board continues to monitor the Brexit process closely.

Graham Screawn
Chief Financial Officer
4 November 2019

BELDRAY *Rose Gold Desk Fan*
Cool air, effortless control

STRATEGIC REPORT

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 reducing 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 German showroom and international sales team 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.	←→

Area	Risk	Mitigation	Movement
Brexit	The UK's decision to leave the EU and the ongoing uncertainty around the terms of its departure has led to a period of economic and political volatility which in turn has contributed to an already challenging retail market. The risk of a 'no deal' Brexit could result in a further weakening of Sterling, putting additional pressure on gross margin and adversely impacting upon consumer demand and trading performance.	The Board continues to monitor developments in this area and assess the potential impact of Brexit on volumes and margin to ensure that the business is well prepared and able to adapt to the eventual outcome. The Group maintains a foreign exchange hedging policy to mitigate the impact of short-term currency fluctuations. The Group's international growth will also offer economic diversity and some protection against movements in Sterling. The Group has implemented a range of initiatives to mitigate margin pressures as discussed below.	↑
Margin pressure	A tough retail environment and the impact of weakened Sterling (discussed above) could put pressure on gross margin. In addition, increased resource requirements could also put pressure on net 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 competitive. Furthermore, the Group seeks to constantly develop and implement productivity improvements.	↑

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES *CONTINUED*

Area	Risk	Mitigation	Movement
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, particularly internationally, in order to widen its portfolio and spread risk. In addition, in-store penetration of the Group's brands and products offers some commercial protection against customer loss. The Group continues to focus on growing online sales in order to provide further diversification from traditional bricks and mortar retailers.	↓
Loss of continuity of supply of goods for resale	A major loss of continuity in the supply of goods for resale could adversely affect the Group's revenue and operating profit. Heavy reliance on China as a source of products. Any deterioration in, or changes to political, economic or social conditions in China could disrupt the supply of goods or result in higher product cost prices.	The Group maintains close relationships with its suppliers through regular factory visits and interaction with its local teams. Wherever possible, multiple sources of supply are sourced for major products. The Group closely monitors developments in China and continues to consider and use alternative sources when practicable and viable.	←→
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.	←→

Area	Risk	Mitigation	Movement
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 monitors opportunities to acquire new brands.	←→
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.	←→
Legal and regulatory	Failure to comply with legal and regulatory requirements, both in the UK and in other countries in which the Group operates, could result in fines or adverse impact on the Group's reputation.	The Board monitors the changing landscape of laws and regulations. New legal and regulatory requirements are discussed by the Audit and Risk Committee whose members contribute insight and experience of such matters. External technical and consulting expertise is sought when required. The Group has procedures for ensuring ongoing compliance with legal obligations, including external annual audits, and runs a programme of new-starter/ refresher annual training.	←→

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES *CONTINUED*

Area	Risk	Mitigation	Movement
Human resources	Failure to attract and retain high-quality individuals, both in the UK and internationally, could impact on the delivery of the Group's strategies.	The Group's Graduate Development Scheme, along with links to local universities, provides a steady inflow of high-quality staff to support the future growth of the Group, whilst the Group's Senior Management Development Programme, introduced in December 2018, and its Introduction to Leadership course aim to create a succession of employees into senior roles. A number of steps are taken to encourage the retention of the employees, including the SAYE and PSP share ownership schemes introduced in the year to incentivise its workforce and to further improve retention.	←→
Cyber security	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. An external IT security audit is carried out on an annual basis to ensure that any weaknesses in our systems are identified and can be rectified. 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. The Group maintains a high level of credit insurance on its trade receivables, averaging in excess of 95 % insured over FY 19 with the uninsured accounts closely monitored. Trade receivable balances are vigilantly managed and prompt action taken on overdue accounts.	
	• 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 cash flow 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
Corporate Governance
Financial Statements
Shareholder Information

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 Group over a three-year period to July 2022, taking account of the Group's current position and the Group's principal risks, as detailed in the Strategic Report. Based upon this assessment, and the assumption of the banking facilities continuing as referred to below, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to July 2022.

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 has recently refinanced its bank facilities with HSBC, comprising a £8.2 m revolving credit facility, a £23.5 m invoice discounting facility (both of which run until 2024) and, ancillary to the revolving credit facility, is a £8.7 m import loan facility, which is repayable on demand and subject to annual renewal. The Directors believe that, in the ordinary course of business, the import loan facility will continue throughout the period to 31 July 2022 and this has been assumed in making the statement.

The following three principal risks were selected for enhanced stress testing: macroeconomic factors (including the impact of Brexit referred to in the Financial Review), 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, and able to remain in operation over the period reviewed. The Board considers that the Group's long-term relationships with many of its customers and suppliers, together with its increased diversification through new customer relationships and international growth, combined with its value-led branded consumer goods strategy, offers the Group protection from and resilience to withstand such scenarios materialising.

The Board selected the period of three years to 31 July 2022 as an appropriate period for the Group's Viability Statement, as management currently use three-year forecasts as part of the business planning process.

RUSSELL HOBBS *Chopping Board Set*
Reversible to reduce cross-contamination

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 are committed to progressing our policies and procedures 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, safety and well-being, employee personal development, 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 and Operations Director ('HR Director') is heavily involved in the day-to-day CSR activities along with other key employees, driving initiatives across the wider teams and building strong relationships with key community contacts.

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. We monitor supplier performance, audit our suppliers and customer service systems and processes (through the ISO 9001/2008 accreditation) and encourage open feedback from all employees across the Group through our Employee Consultation Group and annual Employee Survey.

EMPLOYEES

The Group prides itself on being a talent business. It aims to attract, develop, retain and motivate highly talented employees who can contribute within a dynamic business culture that provides its people with the opportunity to succeed.

We are committed to creating an environment that fosters innovation, growth, progression and a culture of collaboration, which is key to Ultimate Products' success. A variety of career paths, development schemes, support structures and staff recognition programmes are in place to retain staff and provide a framework for success.

UPGS EMPLOYEES *Ladies*
Netball Team

UPGS EMPLOYEES *Mens*
Football Team

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 year it recruited a further 49 graduates and the scheme continues to be the main driver for our recruitment strategies.

The scheme continues to evolve to the changing needs of the business, this year seeing the introduction of graduate placements for the first time. This new option allows undergraduates to be employed in the business for one year before returning to university to continue their studies with the option of permanent employment available to them once completed. The aim is to expand this option further to widen the graduate options available to the Group.

The Graduate+ recruitment initiative, which targets graduates with 12–18 months working experience, has also continued enabling the business to tap into the wider graduate pool and source talented individuals for the many varied opportunities the Group can offer. It is therefore the intention to expand the scheme into different countries with China being the next key focus.

THE UP ACADEMY

The Group has recognised a growing trend in talented individuals who choose not to pursue their education beyond college level and instead wishing to commence their career earlier. To benefit from this trend and recruitment pool, the Group introduced the 'UP Academy' in partnership with Oldham College.

The UP Academy provides 18–20 year olds with the opportunity of full-time, permanent employment following a period of structured training and work experience that is tailored to their needs. The aim is to ensure the candidates are 'job ready' by creating a sensible transition into work alongside finishing their studies. The Academy prepares them for the work environment and the demands of each role without placing unreasonable expectations.

Within its pilot year, the UP Academy had 4 candidates joining the scheme and 2 individuals who successfully completed it and achieved employment. The aim is to expand the Academy in future years and roll out the initiative with other suitable colleges within the locality.

THE UP ACADEMY *Careers*
In partnership with Oldham College

SENIOR MANAGEMENT DEVELOPMENT PROGRAMME

The continued personal development of our Senior Management Team to reach their full potential has become a key focus this year. The Senior Management Development Programme offers ongoing development opportunities including external training within multiple Director-level topics, attendance to key trade events and options for executive coaching with recognised industry professionals. The aim is to ensure the Senior Management Team are fully

ACTIVE CONTRIBUTIONS in the COMMUNITY

equipped with the skills and expertise to meet the ever-changing demands the business can create. This year 15 members of the Senior Management Team participated in the Senior Management Development Programme, which will become a key training component going forward.

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.

INTRODUCTION INTO *Leadership*
Foundation skills for future leaders

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 10 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 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 has now become an integral part of the leadership development offered.

WOMEN IN *Leadership*
Mentoring for future leaders

LOCAL JOBS FOR LOCAL PEOPLE

Our initiative to recruit employees from the local area continues to see positive progression, with a further 39 employees recruited in the past financial year who are from an 'OL' postcode, which is within close proximity to our UK head office site. Currently, 94 members (38 %) of the UK workforce live within close proximity to the UK head office, which continues 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.

GRADUATE DEVELOPMENT *Scheme*
Offering entry-level positions

BREAKDOWN OF DIRECTORS AND EMPLOYEES (ACROSS THE GROUP)

Employees as at 31 July 2019:

	Male	Female
The Board	7	0
Heads of Departments, Senior Managers, Other Directors (Excluding the Board)	19	8
Employees	128	136
Total	**154**	**144**

CHARITY AND COMMUNITY

The Group continues to be 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 follow its three principals of supporting local youth, local heritage and local charities.

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.

MAGGIE'S *Committee*
Local Charity

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

- Holding a heritage event '50 years of Oldham Business' at Manor Mill as part of the 'Oldham Histories Festival', which aims to remember and celebrate Oldham's heritage.
- Multiple staff participating in the Great Manchester 10K Run in May 2019 to raise funds for our assigned company charity and provide more awareness of the cause.
- Sponsoring 'Employer of the Year' at the Oldham Business Awards 2019 to provide support and awareness to aspiring local businesses whilst building the Group's brand within the locality.
- Working with Oldham Athletic Community Trust to fund a series of football tournaments for local primary schools within the Oldham area. The aim of the tournaments was to promote the importance of fitness and teamwork whilst encouraging more children to get involved in sport.
- Sponsoring multiple events to raise funds for the Annie Kenney statue that was erected in Oldham town centre, highlighting the importance of the suffragette movement and the important role Annie, a local Oldham resident, played in it.
- Completing multiple internal and external fundraising events to raise funds and awareness for our assigned company charity, The Royal Manchester Children's Hospital and in particular Ward 84, of which an employee's family member was recently a patient. The Group was able to raise £9,586 for this very worthwhile cause.

The Group will continue to expand its work for local communities next year with the introduction of supporting a local charity within China, close to our Guangzhou office and with members of our China team participating.

OLDHAM ATHLETIC *Girls*
Football Team

OLDHAM ATHLETIC *Boys*
Football Team

ETHICS

Ethical trading is a critical aspect to the way in which our business is conducted and compliance with high ethical standards by 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 an independent organisation, provides further opportunity for employees, customers, suppliers or other stakeholders to confidentially raise any concerns so that they can be thoroughly investigated. The Modern Slavery Committee, comprising key employees across the Group, annually audits the business to ensure compliance to the Modern Slavery Act and continually monitors the actions of our wider supply chain partners in more detail.

The Group received no reports this year relating to Modern Slavery concerns via its whistle-blowing hotline.

EQUALITY AND DIVERSITY

The Group's people-related policy is its Equality Policy and Procedure. This policy reflects our commitment to:-

- developing an ethos which respects and values all individuals equally;
- eliminating all forms of discrimination;
- ensuring there are no barriers which limit or discourage access to promotion, recruitment or training; and
- ensuring that all aspects of employment avoid stereotyping based upon colour, culture, ethinicity, race, religion, disability, gender, sexuality or age.

The policy is made available to all employees and is issued to all new-starters. It is reviewed on an ongoing basis, with a full review taking place at least annually. We do not tolerate behaviour which breaches the policy and encourage staff to use our grievance procedure to report any actual or suspected breaches. We are not aware of any breaches during this year.

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 HR Director, who is supported by competent external advisers.

The HR Director works with heads of departments and business units to ensure compliance with local statutory health and safety regulations, as well as Group policy. All employees are provided with access to the health and safety policy and awareness training is completed annually.

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 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 business continues to seek suitable options that promotes a more energy-efficient working environment and that take into consideration the importance of recycling and reusable materials. Over the years the business has introduced energy-saving lighting across all of its sites and introduced new policies around recycling waste paper, cardboard and redundant electrical appliances (WEEE). The Group also encourages suggestions on improvements from its workforce and continues to seek out schemes that are aligned with its core values.

The Board believes that, to date, the activities of the Group have not presented any significant environmental risks.

CARBON EMISSIONS REPORTING

The greenhouse gas (GHG) statement below provides a summary of Ultimate Products' greenhouse gas (carbon) emissions each year from 1 August 2017 to 31 July 2019. It gives a summary of emissions from fuel combustion and the operation of our facilities, which include our offices, Fleet and 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.

This year the business made a significant effort in attempting to reduce the natural gas usage at both the Heron and Manor Mill sites by investing in a variety of measures to reduce energy wastage, including upgrading external shutters, heating equipment and thermostats. This, coupled with a mild winter, has contributed to the significant reduction in our GHG reporting.

All sites are now working with either LED or energy-efficient lighting, which is believed to have contributed to the reduction in electricity usage.

ULTIMATE PRODUCTS

STRATEGIC REPORT

CORPORATE SOCIAL RESPONSIBILITY *CONTINUED*

YEARS	2019		2018	
	tCO_2e	tCO_2e/FTEE	tCO_2e	tCO_2e/FTEE
Scope 1 Fuel combustion (natural gas, diesel and fleet vehicles)	288.28	0.97	432.27	1.76
Scope 2 Purchased electricity	216.26	0.73	279.37	1.14
Statutory total (Scope 1 and 2)	504.54	1.70	711.64	2.90
Group Metrics	**2019**		**2018**	
Full-time equivalent employee (FTEE) at 31 July	298		245	

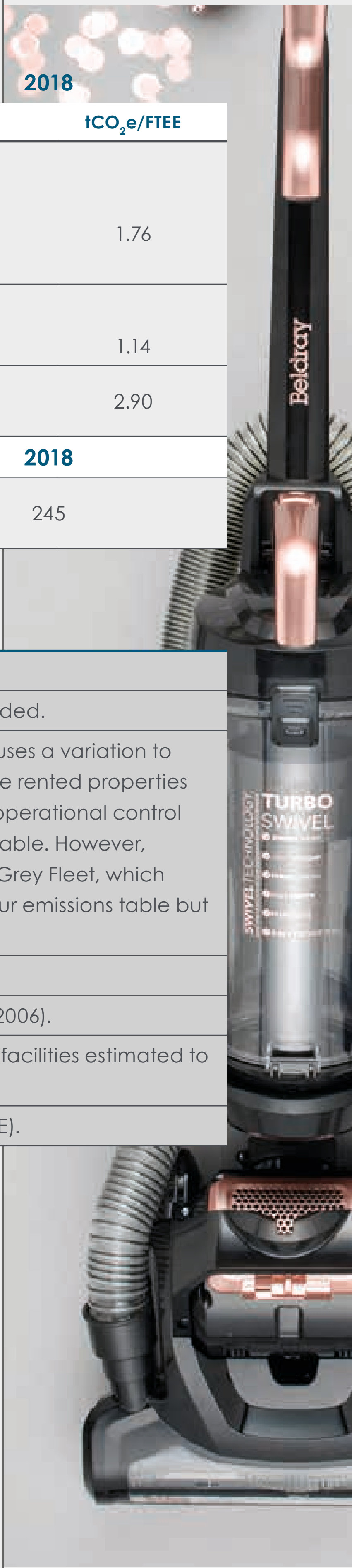
ASSESSMENT PARAMETERS

	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 were not under our operational control and are therefore not included in our emissions table. However, approximately 4 (2018 – 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 36 was approved by the Board of Directors on 4 November 2019.

Simon Showman
Chief Executive Officer
4 November 2019

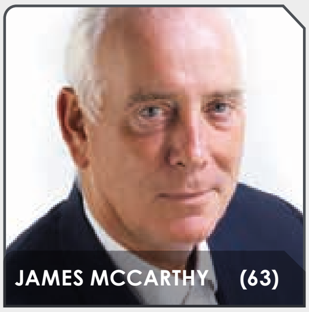
Graham Screawn
Chief Financial Officer



BELDRAY *Floorcare Range*
Designed for all floor types

CORPORATE GOVERNANCE

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 (until July 2019)

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.

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 and 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.

TERM OF OFFICE

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

REGULATING the *RESPONSIBILITIES of* the ORGANISATION

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

Robbie is Chief Financial Officer at the convenience retailer, McColl's Retail Group. Prior to that he was Chief Executive Officer at motorway services operator, Welcome Break Group, where he oversaw its takeover by Applegreen. From 2009 to 2017, Robbie was Chief Financial Officer of Screwfix Direct Limited. Here he oversaw strong business growth, of more than £0.5 bn to over £1 bn. 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.

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

Non-Executive Director


BARRY FRANKS (73)

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

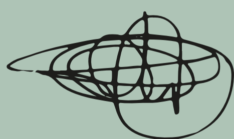
CHAIRMAN'S INTRODUCTION

I am pleased to present our Corporate Governance Report for the year to 31 July 2019. 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. The Board and its committees have a major role to play in maintaining a strong governance framework and in promoting and ensuring that a culture of good governance is adhered to across the Group. 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 is giving significant consideration to the composition of the Board in light of the 2018 Corporate Governance Code guidance on board composition.

Further details of the Board's composition are given on pages 38 to 41 – Board of Directors.



James McCarthy
Chairman
4 November 2019

CORPORATE GOVERNANCE

COMPLIANCE WITH THE CODE

Good governance is considered a fundamental prerequisite for the sustainable success of the business and is embedded in its culture. The Board has complied with all provisions of the Code which was the applicable standard for the year ending 31 July 2019.

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 38 to 41.

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 38 and there have been no changes during the year. The Board are satisfied that other commitments of the Chairman and of the Non-Executive Directors do not prevent them from devoting sufficient time to the Company.

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

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

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

The Senior Independent Non-Executive Director, Alan Rigby, 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 Chairman is responsible for the leadership and governance of the Board and ensures the effective engagement and contribution of all Non-Executive and Executive Directors.

The 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 reviewed, considered and updated during the year and such matters include the approval of the Group's annual business plan, the Group's strategy, acquisitions, capital expenditure projects above certain thresholds, Financial Statements, the Company's dividend policy, changes to the capital and structure, borrowing powers, appointments to the Board, legal actions brought by or against the Group above certain thresholds, and the scope of delegations to Board committees, subsidiary boards and the management committee. Responsibility for the development of strategy and operational management is delegated to the Executive Directors with the support of the Group's Operating Board, which as at the date of this report includes the Executive Directors and 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.

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 no new appointments to the Board 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 a number of 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 business.

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

CONFLICTS OF INTEREST

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

There were no material conflicts of interest arising in the year ended 31 July 2019.

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 updated to be aligned to the revised 2018 Corporate

Governance Code (the '2018 Code'). The Terms of Reference will continue to 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 were Alan Rigby and James McCarthy, however, James McCarthy stepped down from the committee on 29 July 2019 in preparation for being compliant with the 2018 Code.

The report of the Audit and Risk Committee is included on pages 48 to 54.

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 2 of the 9 members (2018 – 2 of 9) 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 32.

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

In the period from 1 August 2019 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 carried out an assessment of the 2018 Code and considered the changes required, revising the Terms of Reference of the Board Committees accordingly. In particular, significant consideration has been given to the composition of the Board and the Nomination Committee continues to evaluate the options available. The Nomination Committee and the Board as a whole are committed to ensure that the 2018 Code is fully embedded in Board practice and culture going forward.

Since the last report, under the guidance of the Nomination Committee, and in conjunction with the Remuneration Committee, the Group formally commenced the Senior Management Development Programme (the 'Programme'), which aims to promote the development of talent from within, along with supporting the succession planning and diversity objectives of the Board. Updates on the Programme are regularly provided to the Board who are pleased with the progress being made. Further information on the Senior Management Development Programme is included in Corporate and Social Responsibility on page 30 to 31.

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 55 to 87.

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 2019, the number of scheduled meetings of the Board and of the Committees of the Board, along with the attendance of individual Directors, are set out in the table below:

	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
James McCarthy	12	5	4	4
Simon Showman*	12	-	1	2
Andrew Gossage*	12	-	1	2
Graham Screawn*	12	6	3	4
Alan Rigby	12	6	4	4
Robbie Bell	11	5	2	3
Barry Franks	9	-	-	1

* Simon Showman, 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 were engaged during the year to provide regular, publicly available research notes on the Group (also posted to the Group's website) and several presentations were made by the Executive Directors at events aimed at private shareholders, including holding a site visit at Manor Mill, providing the opportunity to meet the Senior Management Team and take a tour of the showroom.

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.

CURRENT *EXPOSURES* and FUTURE UNCERTAINTIES

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. During the year, the Audit and Risk Committee comprised 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. On 29 July 2019, James McCarthy stepped down from the Audit and Risk Committee, in preparation for being compliant with the 2018 Code. The Board is satisfied that Robbie Bell has recent and relevant financial experience, as required by provision C.3.1 of the Code and has determined that the current composition of the Audit and Risk Committee as a whole has competence relevant to the sector in which the Company operates. Biographical details relating to each of the Audit and Risk Committee members are shown on pages 38 to 41.

The Audit and Risk Committee has met six 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 47. In addition, the Audit and Risk Committee has also met with the external auditor without the Executive Directors present.

As referred to on page 44 to 46, 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 2019;
- reviewed and agreed the external auditor's audit strategy memorandum in advance of its audit for the year ended 31 July 2019, 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 2019 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 2019;
- discussed the report received from the external auditor regarding its audit in respect of the year ended 31 July 2019;
- reviewed the half-year and full-year Financial Statements;
- reviewed the Group's viability statement;
- reviewed the Group's principal risks together with the processes for mitigating these risks, prioritising them for wider Board review at scheduled future Board meetings and 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 recommending enhancements thereto;
- considered the impact of newly adopted accounting standards, including IFRS 15, Revenue from Contracts with Customers, and the impact of accounting standards effective in future periods, including IFRS 16, Leases. In relation to IFRS16, the Audit and Risk Committee also considered the Group's exposure to foreign exchange risk on non-Sterling denominated leases and approved the implementation of the Group's hedging strategy thereon; and
- reviewed the Group's approach to interest rate protection.

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 2019, 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 95 and 96.

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 During the year, the new accounting standard IFRS 15, Revenue from Contracts with Customers, was adopted. This standard specifies how and when revenue is recognised. The Audit and Risk Committee sought assurance that the Group's revenue recognition policy was appropriate to meet the requirements of IFRS 15 and that it had been consistently applied throughout the period.	The Audit and Risk Committee considered the process undertaken by management to assess the impact of the adoption of IFRS 15, which included engaging external advisors to review and advise on the application of the standard to each of the Group's material revenue streams. It was concluded that the introduction of IFRS 15 had no material impact and that the Group's revenue recognition policy remained appropriate. The Audit and Risk Committee reviewed and assessed management's key internal controls in relation to the recording of revenue and were satisfied that the Group's revenue recognition policy had been applied consistently throughout the year. Having also liaised with the external auditors, the Audit and Risk Committee was satisfied that revenue was correctly recognised.
Customer rebates and discounts ('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.	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.
In addition, estimation is applied in determining the amount of overhead to be absorbed into stock.	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, including those that would threaten its business model, future performance, solvency or liquidity.

The Group maintains a register of principal risks faced by the business, as determined by discussions with Executive and Non-Executive Directors and members of the Senior Management Team. Once identified, risks are assessed by the Audit and Risk Committee according to their likelihood and potential impact. Risks are reassessed based on the strength of mitigating controls in place and an appropriate risk response is determined. The risks are subject to ongoing monitoring and review by both the Board and the Audit and Risk Committee, including an update on the movements in impact and likelihood of each and progress on mitigating actions. The principal risks and uncertainties of the Group and their mitigation are included on pages 22 to 27 and the crystallisation of these risks has been considered in the Viability Statement on page 28 and the Going Concern assessment on page 20.

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 Audit and Risk Committee consider there to be nine key cycles and have planned and prioritised their review and assessment over the course of the year. Since the last Annual Report, all nine cycles documented have been reviewed, reassessed and retested.

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 2020.

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 2019. Audit fees payable by the Group to BDO LLP and its International network in the year ended 31 July 2018 totalled £62,000 (2018 – £61,000). 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 2019, these totalled £11,000 (2018 – £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 2019 is 5.6:1.

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. This approach was supplemented by the completion of a questionnaire by the members of the Audit and Risk Committee and senior members of the finance team involved in the audit, which included consideration of the audit partner and team, approach and communication, and the results of which were reported to and discussed by the Audit and Risk Committee.

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
4 November 2019

PROGRESS *Smart-Boil Kettle*
With thermal 'HEAT-LOCK technology

CORPORATE GOVERNANCE
REMUNERATION COMMITTEE REPORT

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 19.

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 for FY 19, allowing the current Remuneration Policy to run its full three-year term.

The Remuneration Committee is continuing to work with its professional advisers to ensure that the Group's Remuneration Policy is consistent with the UK Corporate Governance Code 2018 and, equally importantly, emerging best market practice on sound corporate governance with regards to remuneration. Further engagement with shareholders will be sought during FY 20 with a view to tabling a new Remuneration Policy at the December 2020 AGM.

The second part of this report describes the remuneration of Directors in 2019. 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 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 seek and 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 formal meetings of the Remuneration Committee in FY 19, I have been grateful for their ongoing input and support on a frequent basis throughout the year.

OUR APPROACH TO REMUNERATION

As explained previously, as a committee we 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 have sought to maintain and emphasise this position as the Group has continued to develop in FY 19.

We have continued to seek to reinforce the culture of long-term value creation within the Group, which we find to be strongly embedded in the Group's behaviour and values, and to maximise alignment between the Group's employees and its shareholders. We are grateful to have the continued support of the Executive Directors, broader employee base and our shareholders in maintaining 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 continued firm adherence to this policy in FY 19 and to respect 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 19. The Remuneration Committee has been impressed with the commitment and focus of the Executive Directors during FY 19, who have executed plans and driven exceptional performance across the Group's four strategic pillars, despite facing a challenging UK trading environment. As a result of this hard work and dedication, the EBITDA performance condition (which acts as an underpin in addition to a target) was satisfied for FY 19 and as such the Remuneration Committee awarded annual bonuses to Executive Directors for the year; further detail on the assessment of the performance conditions is contained on pages 78 to 79.

As planned, Performance Share Plan (PSP) awards were implemented by the Remuneration Committee in FY 19, in order to incentivise the Executive Directors and key management to drive performance in the financial years FY 20, FY 21 and FY 22. In compliance with the Remuneration Policy, the performance measures included under the PSP were set at stretching levels to encourage a sustainable performance culture and growth which aligns to long-term stakeholder interests. In FY 19, Simon Showman and Andrew Gossage volunteered to remove themselves from consideration for PSP awards to ensure that the focus of the PSP was to incentivise the next level of management and develop talent within the Group. The Remuneration

Committee welcomed this decision and the commitment to the Group, its employees and its shareholders demonstrated by this action.

The Remuneration Committee recognises that the success of the Group will be dependent upon all of its workforce, and is therefore currently working to ensure that our people are adequately incentivised to deliver the growth and profitability that the Group's strategy requires. In FY 19, the Company adopted a Save As You Earn (SAYE) 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 our people. The launch was highly successful, with a very high take-up recorded across employees and a number of employees electing to make monthly savings at the Board-approved maximum of £250 per month. The Remuneration Committee were delighted with this response, and with the confidence shown by the wider employee base in the Group's future success.

During FY 19 the Remuneration Committee conducted a review of the salary and benefits of all Executive Directors using externally-produced benchmarking data. It was determined that an increase of 2 % was appropriate to recognise the additional executive duties associated with managing the business across much broader product, service and geographical channels. The Remuneration Committee notes that this was substantially below the average increase across the workforce as a whole. Executive Director pension contributions have also been maintained at 12 % of base salary.

In May 2019 the Remuneration Committee conducted a detailed review of the salary and benefits of all employees to ensure that the Group's approach to pay and benefits across the employee base was consistent and fair. The Remuneration Committee found it pleasing that executive management reviewed salaries and benefits on an individual basis and had based their pay decisions on a well-structured and rigorous process.

The Remuneration Committee has been encouraged by the enthusiasm with which the Senior Management Development Programme has been received across the Group's population of senior management and executives since its inception in December 2018. The committee is of the firm belief that opportunities for personal development are a critical part of any retention strategy as well as benefiting the Group and its shareholders.

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

4 November 2019

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.

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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.

VARIABLE REMUNERATION: PERFORMANCE SHARE PLAN (PSP) (CONTINUED)

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.

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	During the year, the Group adopted a Save as you Earn ('SAYE'), share option plan, and made it available to all UK employees. This is a savings-related scheme, where the employer deducts a fixed monthly amount from employees' salaries and after a period of 3 years (chosen by the majority of employees) or 5 years (chosen by a smaller number of employees), the employee can then purchase shares in the Group for a fixed exercise price. The Remuneration Committee will consider making further invitations to participate in the scheme on an annual basis.
Maximum opportunity	In line with HMRC limits in force from time to time.
Performance measures	None.

OTHER: SHAREHOLDING GUIDELINES

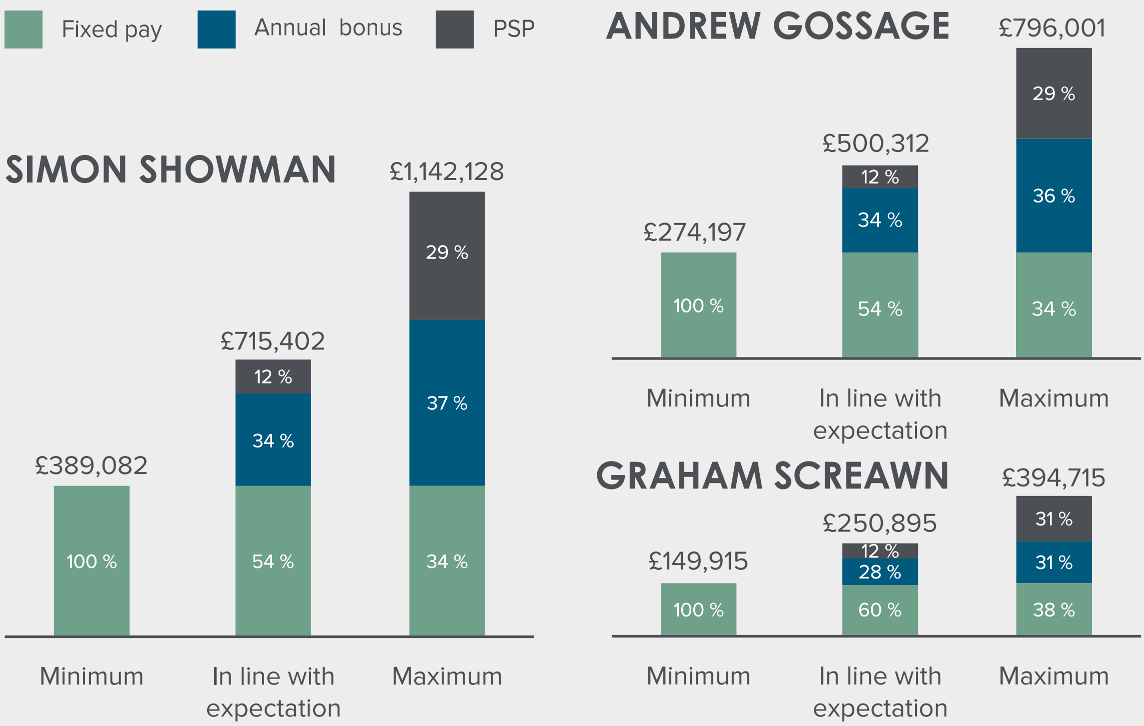
Element, purpose and link to strategy	To create alignment between the Executive Directors' interests and those of shareholders.
Operation	The Remuneration Committee expects all Executive Directors, within a period of five years from appointment, to build up a meaningful shareholding in Ultimate Products.
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	SAYE
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 2019) and the value for benefits has been calculated as per the single figure table on page 74.	No bonus	No PSP vesting	No performance elements to the scheme. Each Director will receive a number of share options corresponding to the amount that they contribute to the scheme per month.
Performance in line with expectations		72.5 % of base salary for achieving target performance (57.5 % in respect of Graham Screawn).	25 % of the maximum share options will vest if performance is in line with the threshold target in each of the conditions. Between the threshold and the stretch target, the option shares will vest on a straight-line basis.	
Maximum performance		125 % of base salary for achieving target performance (100 % in respect of Graham Screawn).	100 % of maximum award vesting if the four stretch conditions are met.	

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.

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 2019 and 31 July 2018:

	Basic Salary/ Fees[1] 2019 £	All Taxable Benefits 2019 £	Bonus 2019 £	MIP, PSP and SAYE[2] 2019 £	Pension 2019 £	Total 2019 £
Executive Directors						
S Showman	383,062	1,733	325,069	-	-	709,864
A Gossage	259,272	1,954	212,066	-	10,000	483,292
G Screawn	131,000	2,827	96,800	-	14,520	245,147
Non-Executive Directors						
A Rigby	49,167	-	-	-	-	49,167
J McCarthy	75,000	-	-	-	-	75,000
R Bell	50,000	-	-	-	-	50,000
B Franks	40,000	5,922	-	-	-	45,922
	987,501	**12,436**	**633,935**	**-**	**24,520**	**1,658,392**

	Basic Salary/ Fees[1] 2018 £	All Taxable Benefits 2018 £	Bonus 2018 £	MIP[2] 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	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**

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

	2019 £	2018 £
Executive Directors		
S Showman	39,703	39,375
A Gossage	17,511	17,284
G Screawn	-	8,800
	57,214	**65,459**

[2] The Group has 3 long-term incentive plans for the year ended 31 July 2019; a MIP, PSP and SAYE. The PSP and SAYE were introduced in the year. There were no awards that vested in either the current or prior year.

INDIVIDUAL ELEMENTS OF REMUNERATION

BASE SALARY

As noted in the 2018 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.

From 1 March 2019, the base salaries of the Executive Directors will be as follows, including comparison to the previously agreed rates.

	Base Salary 1 March 2019 £	Base Salary 1 March 2018 £	Increase %
Executive Directors			
S Showman	334,687	328,125	2.00
A Gossage	231,913	227,366	2.00
G Screawn	122,400	120,000	2.00

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

TAXABLE BENEFITS

Each Executive Director is entitled to medical expenses insurance.

PENSION BENEFITS (AUDITED)

The Group operates a defined contribution pension scheme, which the Directors are eligible to participate in. The Executive Directors currently receive 12 % of their salary (excluding any car allowance) as a contribution to their pension arrangements or the equivalent as a cash allowance. In the year ended 31 July 2019, each of the Executive Directors took the option to receive a cash allowance as follows; S Showman received £39,703 (2018 – £39,375), A Gossage received £17,511 (2018 – £17,284) and G Screawn received £Nil (2018 – £8,800).

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 2019 (2018 – £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. With effect from 1 October 2018, the Board increased the fees payable to Alan Rigby for his services as Chair of the Remuneration Committee from £5,000 to £10,000 per annum. No increase was applied to fees payable in the year ended 31 July 2018.

The fees applied in the year ended 31 July 2019 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, 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. Medical expenses insurance was also provided to B Franks as a taxable benefit of £5,922 (2018 – £4,502).

ANNUAL BONUS SCHEME

Awards made in respect of the year to 31 July 2019

In accordance with the Remuneration Policy, the maximum bonus opportunity under the Annual Bonus Plan for FY 19 was set at 125 % of base salary for S Showman and A Gossage, and 100 % of base salary for G Screawn. The Remuneration Committee attached performance conditions to each award, one based upon EBITDA and up to three based upon personal strategic targets which were chosen to align with the Group's strategic pillars. No payment in respect of the personal strategic targets were permissible unless at least the threshold level of EBITDA was obtained.

Performance condition	Level	Opportunity (assessed performance shown in green) S Showman	A Gossage	G Screawn
EBITDA	Threshold (£7.8 m)	0 %	0 %	0 %
	Target (£8.5 m)	60 %	60 %	45 %
	Stretch 1 (£9.15 m)	70 %	70 %	52.5 %
	Stretch 2 (£9.8 m)	**80 %**	**80 %**	**60 %**
	Stretch 3 (£10.45 m)	90 %	90 %	67.5 %
	Stretch 4 (£11.1 m)	100 %	100 %	75 %
Personal Target 1 (subject to EBITDA underpin)	Below threshold	0 %	0 %	0 %
	Threshold	2 %	4 %	2.5 %
	Target	**4 %**	8 %	**5 %**
	Stretch	6.25 %	**12.5 %**	7.5 %
Personal Target 2 (subject to EBITDA underpin)	Below threshold	0 %	**0 %**	0 %
	Threshold	2 %	4 %	2.5 %
	Target	4 %	8 %	**5 %**
	Stretch	**6.25 %**	12.5 %	7.5 %
Personal Target 3 (subject to EBITDA underpin)	Below threshold	0 %	N/A	0 %
	Threshold	4 %		2.5 %
	Target	**8 %**		5 %
	Stretch	12.5 %		**10 %**
Total opportunity		125 %	125 %	100 %
Total assessed (% of base salary)		98.25 %	92.5 %	80 %
Total assessed (% of max. opportunity)		78.6 %	74 %	80 %

As EBITDA for FY 19 was £9.9m, the Stretch 2 level of performance was delivered, resulting in a payment of 80 % of base salary to S Showman and A Gossage and 60 % of base salary to G Screawn.

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

- **S Showman:** Personal Target 1 related to the successful appointment of senior individuals to lead international expansion. This was assessed to be satisfied to Target level, resulting in a payment of 4 % of base salary. Personal Target 2 related to the delivery of targeted increases in international sales revenue without dilution of budgeted margin. This was assessed to be satisfied to Stretch level, resulting in a payment of 6.25 % of base salary. Personal Target 3 was based upon strategic objectives relating to increased penetration of major UK retailers, again without dilution of budgeted margin. This was assessed to be satisfied to Target level, resulting in a payment of 8 % of base salary.
- **A Gossage:** Personal Target 1 related to the execution of a plan to increase direct-to-customer revenues through growth with online retailers without dilution of budgeted margin. This was assessed to be satisfied to Stretch level, resulting in a payment of 12.5 % of base salary. Personal Target 2 related to the introduction of a detailed succession plan for senior management. Whilst significant progress was made in this area, other matters became a more pressing area of focus for A Gossage's role, therefore delaying the delivery of this objective. As such, the Remuneration Committee determined that delivery of this objective remains a work in progress and the performance was not sufficient to meet threshold level at this time; therefore no bonus was awarded under this target for FY 19.
- **G Screawn:** Personal Target 1 related to the maintenance of robust internal procedures to mitigate financial, regulatory and functional risks. This was assessed to be satisfied to Target level, resulting in a payment of 5 % of base salary. Personal Target 2 related to the construction of and progression of a development plan. This was assessed to be satisfied to Target level, resulting in a payment of 5 % of base salary. Personal Target 3 related to the negotiation of strategically important financing facilities. This was assessed to be satisfied to Stretch level, resulting in a payment of 10 % of base salary.

Awards made in respect of the year to 31 July 2018

As the underlying EBITDA threshold was not satisfied, no bonuses were payable in respect of the year ended 31 July 2018.

PROGRESS *Diamond Fry Pan*
High performance non-stick cookware

LONG-TERM INCENTIVE PLANS (AUDITED)

PSP

On 11 March 2019 options were issued to certain members of management with performance conditions attached. The PSP allows for awards to be granted in various forms, and these options took the form of both tax-advantaged CSOP options and unapproved share options in order to maximise tax efficiency for the Company and employees whilst delivering, in effect, a nil cost option in line with the intention of the Remuneration Committee and standard market practice.

The PSP overall granted 1,120,000 shares under option with an exercise price of £Nil of which G Screawn received 125,000.

SAYE

On 13 February 2019, a SAYE scheme was introduced to the Group with all employees being able to participate. This is a savings-related scheme and employees can contribute anything from £10 to £250 per month.

1,286,914 shares were granted under option to 95 employees under this scheme of which G Screawn received 22,784.

Awards Granted in the Year Ended 31 July 2018

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

MIP

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

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

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

As at 31 July 2019

	Subsidiary Share Held	Maximum Potential Plc Shares at 31 July 2019	Face Value
Executive Directors			
S Showman	48	-	-
A Gossage	32	-	-
G Screawn	8	-	-

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	-	-

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. At 31 July 2019 the share price is still below the hurdle rate.

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 38 to 41 of the Annual Report.

PAYMENTS TO PAST DIRECTORS (AUDITED)

In the prior year, payments to past Directors were disclosed as having been made. Such payments, along with those made in the current year, were in respect of employment within the Group and not for services as a Director and, therefore, have not been disclosed.

PAYMENTS FOR LOSS OF OFFICE (AUDITED)

There have been no such payments made in either the year ended 31 July 2019 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 2019 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	Shares under option
Executive Directors			
S Showman	48	18,530,600	-
A Gossage	32	8,052,400	-
G Screawn	8	410,800	147,784
Non-Executive Directors			
J McCarthy	-	935,000	-
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 2019 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.

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 2018:

	Shares owned outright 31 July 2018	Shares owned outright 31 July 2019	Shares held under share options 31 July 2019	Shares owned outright at 4 November 2019
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	147,784	410,800
Non-Executive Directors				
J McCarthy	800,000	935,000	-	935,000
A Rigby	25,000	25,000	-	25,000
R Bell	402,144	402,144	-	402,144
B Franks	7,270,400	7,270,400	-	7,270,400

SHAREHOLDING REQUIREMENT

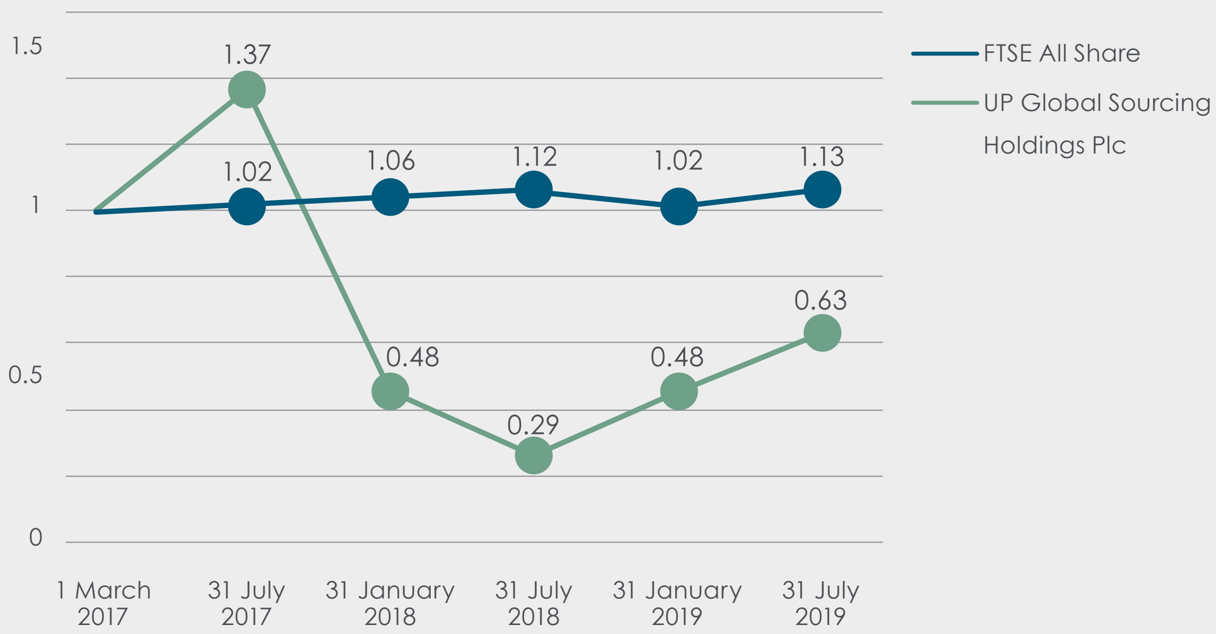
	Base Salary[1] £	Total Shareholding	Shareholding Requirement as % of Salary	Shareholding Requirement[2]	Actual Shareholdings as % of Requirement
S Showman	334,687	18,530,600	250 %	1,039,401	1,783 %
A Gossage	231,913	8,052,400	250 %	720,227	1,118 %
G Screawn	122,400	410,800	125 %	190,062	216 %

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

[2] Salary divided by the 31 July 2019 share price of 80.5 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 Sourcing Holdings plc is a constituent of this index. This illustrates the movement in a hypothetical £100 invested in the Company from the date of the IPO.



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

Chief Executive	Year	Single Figure Remuneration £'000	Annual Bonus (% of Maximum)	PSP Vesting (% of Maximum)
S Showman	2019	710	79 %	Nil
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

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 to the change for employees who were employed throughout the year ended 31 July 2019. The % change noted for salary refers to the increase in annual salary at 1 August 2018 to that at 31 July 2019.

	CEO			
	2019 £'000	2018 £'000	% change	Average for other employees % change
Salary	335	328	+ 2.0 %	+ 8.9 %
Benefits – Medical Insurance	2	2	+ 14.0 %	+ 21.1 %
Bonus	325	-	+ 100.0 %	+ 264.8 %

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.

	2019 £'000	2018 £'000	% Change
Total employee costs (note 10 – Financial Statements)	11,916	8,732	+ 36.5 %
Dividends	*3,357	**2,235	+ 50.2 %

* Dividends payable and proposed in respect of the year ended 31 July 2019

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

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 2020, 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 2020 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 Remuneration Committee chose to make awards under the PSP for the year ended 31 July 2019, which were 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.

INTEMPO *Encore Speaker*
Fabric effect finish, superior sound

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 £2,850 for Remuneration Committee matters.

STATEMENT OF SHAREHOLDER VOTING

Shareholder voting in relation to the resolutions to approve the Directors' Remuneration Policy (December 2017 AGM) and the Directors' Remuneration Report (December 2018 AGM) was as follows:

Resolution	For (No. of Shares)	For (%)	Against (No. of Shares)	Against (%)	Votes Withheld (No. of Shares)
To receive and approve the Directors' Remuneration Policy	73,106,164	99.97 %	21, 605	0.03 %	7,852
To receive and approve the Directors' Remuneration Report	61,942,103	99.99 %	2,000	0.01 %	0

The Remuneration Report was approved by the board on 4 November 2019.

On behalf of the Board

A Rigby

Alan Rigby

Chair of the Remuneration Committee

4 November 2019

CORPORATE GOVERNANCE

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 2019.

STRATEGIC REPORT

The Companies Act 2006 requires the Directors to present a review of the business during the year to 31 July 2019 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 36 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 41 to 47 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 2019, attributable to equity shareholders, amounted to £6,719,000 (2018 – £4,474,000) and the profit after tax was £6,462,000 (2018 – £4,282,000). An interim dividend for the current year of 1.16 p (2018 – 0.83 p) per ordinary share was paid on 26 July 2019. The final proposed dividend of 2.925 p (2018 final dividend: 1.89 p) per ordinary share will be paid on 30 January 2020 if approved at the Company's Annual General Meeting on 13 December 2019 ('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 £4,984,000 (2018 – £5,028,000).

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 36.

DIRECTORS

The following were Directors of the Company during the financial year ended 31 July 2019:

- 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 powers of the Directors to issue or repurchase ordinary shares are set by resolution at a general meeting of shareholders.

The Articles give the Directors power to appoint and remove Directors. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board. Additionally, the Company may by ordinary resolution, subject to the wider provisions of the Articles, appoint a Director or the Company may by special resolution, or in accordance with the provisions of the Companies Act 2006, remove a Director. In compliance with the UK Corporate Governance Code, the Articles require all Directors to retire and submit themselves for re-election at each Annual General Meeting. Biographical details of the Board are set out on pages 38 to 41 of this report.

DIRECTORS' INTERESTS

Information regarding the Directors' interests in ordinary shares of the Company is provided in the Directors' Remuneration Report on page 83. Under the Long-Term Incentive Plan, as set out in the Directors' Remuneration Report on page 83, 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 2019 and 4 November 2019.

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 (2018 – £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.

GLOBAL OPERATIONS

The Group's head office and primary distribution facilities are in Oldham, Greater Manchester. In addition, the Group also has a presence in Guangzhou, China and in Cologne, Germany. The registered Representative Office in Guangzhou strengthens the Group's Far East sourcing and quality functions, managing orders with suppliers on a day-to-day basis as well as providing a Far East showroom. The registered branch in Cologne provides a showroom in Central Europe to further support the Group's international strategy.

EMPLOYEE INVOLVEMENT

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. Employees are consulted regularly on a wide range of matters affecting their current and future interests and open feedback from all employees across the Group is encouraged through our Employee Consultation Group and annual Employee Survey.

The Board is keen to ensure that employees are given the opportunity to share in the success of the business and to this end, in January 2019, eligible UK employees were invited to participate in the Group's first SAYE scheme.

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 2019, 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	12,326,019	15.00 %	Indirect
Ennismore Fund Management Limited	6,600,000	8.03 %	Indirect
UP Global Sourcing Employee Benefit Trust	3,308,307	4.03 %	Direct

No further notifications were received up to and including 28 October 2019.

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 2019, 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.

At 31 July 2019, RBC cees Trustee Limited, as trustee of the UP Global Sourcing Employee Benefit Trust (the 'Trustee'), held 4.03 % (of the issued share capital of the Company in trust for the benefit of the employees of the Group.

A dividend waiver is in place in respect of the Trustee's shareholdings under the UPGS EBT. The UPGS EBT waived dividends on its shareholding of 2,371,000 and 2,918,807 shares in relation to the dividends paid on 30 January 2019 and 26 July 2019 respectively.

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

At 31 July 2019, pursuant to shareholder resolutions passed on 14 December 2018, 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 2018). Such authorities will expire at the conclusion of the AGM of the Company on 13 December 2019. It is proposed that such authorities are renewed at the AGM for 2019, 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 2019 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 6 to 36. This information is incorporated by reference into this Directors' Report.

FINANCIAL RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

CONTRACTS OF SIGNIFICANCE

The contracts of significance, as defined by Listing Rule 9.8, in existence during the financial year relate to the lease of the Group's offices 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 a party connected with Barry Franks. 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 95 to 96. Having considered the ability of the Company and the Group to operate within its existing facilities and meet its debt covenants, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future (being at least one year following the date of approval of this Annual Report). Accordingly, they consider it appropriate to adopt the going concern basis in preparing the Financial Statements.

The Group's Viability Statement is set out on page 28 of the Strategic Report.

BELDRAY *Smart Ceramic Core Radiator*
Wireless connectivity, effortless control

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 2019 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 168 to 174
(4)	Details of long-term incentive schemes	Pages 80 to 81
(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 93
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Page 92
(13)	Shareholder waivers of future dividends	Page 92
(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 2019 AGM.

ANNUAL GENERAL MEETING

The Company's AGM will be held at 2.00 pm on 13 December 2019 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
4 November 2019

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 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 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

CORPORATE GOVERNANCE

DIRECTORS' STATEMENT *CONTINUED*

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

Simon Showman
Chief Executive Officer
4 November 2019

Graham Screawn
Chief Financial Officer

PORTOBELLO *Shizuka Bright Tea Set*
Deluxe, hand-painted bone china

FINANCIAL STATEMENTS

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 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cashflows, 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 2019 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 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation 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 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 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 including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How 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 on the satisfaction of each performance obligation as that obligation is satisfied. Revenue recognised reflects the consideration to which the entity expects to be entitled in exchange for the goods 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 performance obligations are satisfied at different times depending on specific terms of shipping. This is upon arrival at the host port or being loaded onto the ship depending on the shipping terms. As a result, we considered revenue recognition to be a key audit matter.	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 revenue had been included within the correct accounting period, depending on when the performance obligations have been completed. Key observations: Based on our testing we did not identify any evidence of material misstatements of revenue within the financial statements.
Rebates (Note 4 and accounting policy in note 3) 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, which include estimation of revenue until the end of the relevant period in the rebate contract and for uncontracted rebates the estimation of further debit notes expected. These estimates based on past history and the level of recent sales made to each customer. As a result, we considered rebates to be a key audit matter.	**We obtained assurance over the rebate charge and accrual by:** • agreeing the calculation of a sample of rebate charges to the underlying rebate agreement and revenue for the year. Where this involves any estimation, we have reviewed the basis of such estimates and the reasonableness of any assumptions made by comparing to past history and contracts; • comparison of the rebate charge and accrual for each sampled 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. Key observations: Based on the procedures we did not identify any material misstatements of the rebate charge and accrual.

Key audit matter	How we addressed the matter in our audit
Inventory valuation (Note 19 and accounting policy in note 3) 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. As a result, we consider inventory provisioning to be a key audit matter,	**We obtained assurance over management's assumptions applied in calculating the value of inventory provisions by:** • reviewing the Group's inventory provisioning policy, with specific consideration given to free stock against which the Group have no order at the year-end • reviewing sales of free stock since the year-end to ensure that these products have been sold at above cost price since the year-end; • 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. Key observations: Following the completion of work we did not identify a material misstatement in the inventory provision held in the financial statements.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing our audit, and in evaluating the effect of identified misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the Financial Statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements as a whole.

The materiality for the Group audit as a whole was set at £409,000 (2018 – £263,000) and was determined with reference to the benchmark of profit before taxation of which it represents 5 % (2018 – 5 %). We consider profit before tax to be a key measure of the performance of the Group.

Materiality for the Parent Company was set at £230,000 (2018 – £250,000) and was determined with reference to the benchmark of net assets, of which it represents 2 % (2018 – capped at component materiality). An asset-based materiality was considered appropriate for the Parent Company as this is a holding company with few transactions. Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce to an appropriately low level. The probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the Financial Statements as a whole. Performance materiality for the Group as a whole was set at 75 % (2018 – 75 %) of materiality at £309,750 (2018 – £197,250). 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. The Parent Company performance materiality set at £172,500 (2018 – £187,500), which is 75 % of Company materiality in both years. This percentage was set based on the low aggregation risk within the Group and in line with the performance materiality set above.

Performance materiality for revenue was reduced to 65 % of materiality, namely £265,850, as there is heightened risk from cut-off and rebate estimations. Performance materiality for related party transactions and Director's emoluments was reduced to 25 % as they are areas of high interest to the users of the Financial Statements.

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 £390,000 (2018 – £250,000). Component materialities used vary from £230,000 to £305,000.

We agreed with the Audit and Risk Committee that we would report to them all audit differences in excess of £14,300 (2018 – £9,200). We also agreed to report differences below this threshold that, in our view, 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 the two significant components, 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 by the Group audit team.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, 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** – 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 and Risk Committee reporting** – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – 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 the 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 95 to 96, 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.

EXTENT TO WHICH THE AUDIT IS CAPABLE OF DETECTING IRREGULARITIES

The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error.

As part of the audit we considered the laws and regulations that have a direct impact on the Financial Statements such as the Companies Act 2006, UK tax legislation and the appropriate listing rules. We also considered the risks of non-compliance with laws and regulations and we considered the extent to which non-compliance might have a material effect on the Group Financial Statements.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the Audit and Risk Committee, we were appointed by the Board of Directors to audit the Financial Statements for the year ending 31 July 2019 and subsequent financial periods, subject to annual reappointment by the shareholders. The period of total uninterrupted engagement is 4 years, covering the years ending 31 July 2016 to 31 July 2019.

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 and Risk 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Gary Harding (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
4 November 2019

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

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Continuing Operations			
Revenue	6	123,257	87,571
Cost of sales		(96,013)	(67,979)
Gross profit		27,244	19,592
Administrative expenses before share-based payment charges		(18,106)	(13,647)
Profit from operations before share-based payment charges		9,138	5,945
Share-based payment charges	7	(257)	(192)
Administrative expenses		(18,363)	(13,839)
Profit from operations	8	8,881	5,753
Finance income	11	6	53
Finance costs	11	(692)	(383)
Profit before taxation		8,195	5,423
Income tax	12	(1,733)	(1,141)
Profit for the year		6,462	4,282
		Pence	**Pence**
Earnings per share – basic	13	8.1	5.2
Earnings per share – diluted	13	8.0	5.2

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Profit for the year	6,462	4,282
Other comprehensive income		
Items that may subsequently be reclassified to income statement:		
Fair value movements on cash flow hedging instruments	1,278	846
Hedging instruments recycled through the income statement at the end of hedging relationships	(846)	193
Items that will not be subsequently reclassified to income statement:		
Foreign currency retranslation	12	(4)
Other comprehensive income for the year	444	1,035
Total comprehensive income for the year attributable to the equity holders of the Group	6,906	5,317

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 July 2019 £'000	As at 31 July 2018 £'000
Assets			
Intangible assets	15	98	100
Property, plant and equipment	16	1,950	2,018
Deferred tax	18	73	107
Total non-current assets		2,121	2,225
Inventories	19	20,399	16,466
Trade and other receivables	20	18,724	14,791
Derivative financial instruments	24	1,335	985
Cash and cash equivalents	21	122	95
Total current assets		40,580	32,337
Total assets		42,701	34,562
Liabilities			
Trade and other payables	22	(15,434)	(12,531)
Derivative financial instruments	24	(54)	-
Current tax		(812)	(427)
Borrowings	23	(14,567)	(10,992)
Total current liabilities		(30,867)	(23,950)
Net current assets		9,713	8,387

	Note	As at 31 July 2019 £'000	As at 31 July 2018 £'000
Borrowings	23	-	(1,864)
Total non-current liabilities		-	(1,864)
Total liabilities		(30,867)	(25,814)
Net assets		11,834	8,748
Equity			
Share capital	25	205	205
Share premium	27	2	2
Employee Benefit Trust reserve	27	(1,649)	-
Share-based payment reserve	27	529	272
Hedging reserve	27	1,278	846
Retained earnings	27	11,469	7,423
Equity attributable to owners of the Group		11,834	8,748

These Financial Statements were approved by the Board of Directors and authorised for issue on 4 November 2019 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 2019 £'000	As at 31 July 2018 £'000
Assets			
Investments	17	17,190	16,933
Total non-current assets		17,190	16,933
Trade and other receivables	20	7,692	6,577
Total current assets		7,692	6,577
Total assets		24,882	23,510
Liabilities			
Trade and other payables	22	(208)	(203)
Current tax		(61)	(65)
Borrowings	23	(1,493)	-
Total current liabilities		(1,762)	(268)
Net current assets		5,930	6,309
Borrowings	23	-	(2,936)
Total non-current liabilities		-	(2,936)
Total liabilities		(1,762)	(3,204)
Net assets		23,120	20,306

	Note	As at 31 July 2019 £'000	As at 31 July 2018 £'000
Equity			
Share capital	25	205	205
Share premium	27	2	2
Share-based payment reserve	27	529	272
Hedging reserve	27	-	(1)
Retained earnings	27	22,384	19,828
Total equity		23,120	20,306

The Company's profit for the year was £4,984,000 (2018 – £5,028,000) and the total comprehensive income for the year was £4,985,000 (2018 – £5,027,000).

These Financial Statements were approved by the Board of Directors and authorised for issue on 4 November 2019 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	Employee Benefit Trust reserve £'000	Share-based payment reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 August 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**

	Share capital £'000	Share premium £'000	Employee Benefit Trust reserve £'000	Share-based payment reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 31 July 2018	**205**	**2**	**-**	**272**	**846**	**7,423**	**8,748**
Profit for the year	-	-	-	-	-	6,462	6,462
Foreign currency retranslation	-	-	-	-	-	12	12
Cash flow hedging movement	-	-	-	-	432	-	432
Total comprehensive income for the year	-	-	-	-	432	6,474	6,906
Transactions with shareholders:							
Dividends payable	-	-	-	-	-	(2,428)	(2,428)
Share-based payments	-	-	-	257	-	-	257
Purchase of own shares by the Employee Benefit Trust	-	-	(1,649)	-	-	-	(1,649)
As at 31 July 2019	**205**	**2**	**(1,649)**	**529**	**1,278**	**11,469**	**11,834**

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 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**

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 31 July 2018	**205**	**2**	**272**	**(1)**	**19,828**	**20,306**
Profit for the year	-	-	-	-	4,984	4,984
Cash flow hedging movement	-	-	-	1	-	1
Total comprehensive income for the year	-	-	-	1	4,984	4,985
Transactions with shareholders:						
Dividends payable	-	-	-	-	(2,428)	(2,428)
Transfer	-	-	-	-	-	-
Share-based payments	-	-	257	-	-	257
As at 31 July 2019	**205**	**2**	**529**	**-**	**22,384**	**23,120**

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Net cash flow from operating activities		
Profit for the year	6,462	4,282
Adjustments for:		
Finance income	(6)	(53)
Finance costs	692	383
Income tax expense	1,733	1,141
Depreciation and impairment	779	525
Amortisation	11	2
Derivative financial instruments	132	(99)
Share-based payments	257	192
Income taxes paid	(1,314)	(178)
Working capital adjustments		
Increase in inventories	(3,932)	(5,402)
Increase in trade and other receivables	(3,933)	(3,063)
Increase in trade and other payables	2,907	215
Net cash from/(used in) operations	3,788	(2,055)
Cash flows used in investing activities		
Purchase of intangible assets	(9)	(102)
Purchase of property, plant and equipment	(711)	(829)
Finance income	6	53
Net cash used in investing activities	(714)	(878)

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Cash flows used in financing activities		
Purchase of own shares by the Employee Benefit Trust	(1,649)	-
Proceeds from borrowings	2,091	9,052
Repayment of borrowings	(450)	(2,175)
Debt issue costs paid	-	(31)
Dividends paid	(2,428)	(3,554)
Interest paid	(615)	(355)
Net cash (used in)/ generated from finance activities	(3,051)	2,937
Net increase in cash and cash equivalents	23	4
Exchange gains in cash and cash equivalents	4	-
Cash and cash equivalents brought forward	95	91
Cash and cash equivalents carried forward	122	95

FINANCIAL STATEMENTS

COMPANY STATEMENT OF CASH FLOWS

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Net cash flow from operating activities		
Profit for the year	4,984	5,028
Adjustments for:		
Finance and dividend income	(5,250)	(5,267)
Finance costs	169	105
Income tax credit	(15)	(17)
Income taxes paid	10	-
Working capital adjustments		
Increase in trade and other receivables	(1,096)	(534)
(Decrease)/increase in trade and other payables	(17)	17
Net cash used in operations	(1,215)	(668)
Cash flows from investing activities		
Dividends received	4,650	4,667
Interest received	600	600
Net cash from investing activities	5,250	5,267

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Cash flows used in financing activities		
Proceeds from borrowings	-	1,244
Repayment of borrowings	(1,472)	(2,175)
Dividends paid	(2,428)	(3,554)
Interest paid	(135)	(114)
Net cash used in finance activities	(4,035)	(4,599)
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 the UK. 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 2019.

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 on the satisfaction of each performance obligation as that obligation is satisfied.

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

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

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

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 basis:

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 share option schemes operate for employees of the subsidiary company UP Global Sourcing UK Limited. As such in accordance with IFRS 2, the share-based payment charge in relation to these options is shown as an increase in investments in the subsidiary company.

EMPLOYEE BENEFIT TRUST ('EBT')

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

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. The incentives are offered to employees of subsidiary companies and as such the value of the share-based payments are shown as additions to investments in the parent company Financial Statements.

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

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

DIVIDENDS

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

FINANCIAL INSTRUMENTS

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

TRADE AND OTHER RECEIVABLES

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

CASH AND CASH EQUIVALENTS

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

TRADE AND OTHER PAYABLES

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

BORROWINGS

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

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 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
IFRS 9, Financial Instruments	IFRS 9 was adopted during the year and the date of the transition for the Group was 1 August 2017. The standard has been applied fully retrospectively but no comparatives have been restated as the impact is not material. There were no key judgements or estimates involved in the assessment of the impact of IFRS 9. The standard impacts 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. The effect of the different classification of certain financial instruments has not had a material impact on the Group's statement of financial position, as all financial instruments are still held at either amortised costs or fair value through other comprehensive income. In addition, the level of impairment of certain financial instruments such as trade receivables has not changed materially under the expected loss model.
IFRS 15, Revenue from Contracts with Customers	IFRS 15 was adopted during the year and the date of transition for the Group was 1 August 2017. The standard has been fully applied retrospectively but no comparatives have been restated as the impact is not material. There were no key judgements or estimates involved in the assessment of the impact of IFRS 15. 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. The introduction of IFRS 15 has not had a material impact on the Group's financial statements, as the recognition point being the transfer of control remains the same as the transfer of risks and rewards under the old standard.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE FOR THE FINANCIAL YEAR BEGINNING 1 AUGUST 2018 AND NOT EARLY ADOPTED.

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

Standard	Key Requirements	Effective Date (for Annual Periods Beginning On or After)
IFRS 16, Leases	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 2019 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 estimated impact of IFRS 16 has been disclosed in note 32.	1 January 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

ACCOUNTING ESTIMATES

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

INVENTORY PROVISIONING

The Group sources, imports and sells products across a range of categories including small domestic appliances, audio, laundry, housewares, heating and cooling and luggage, and is subject to changing consumer demands and trends. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods. The carrying 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 £1,616,000 (2018 – £1,204,000).

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 engages third-party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The carrying amounts of derivatives are disclosed in note 24.

SHARE BASED PAYMENTS

MANAGEMENT INCENTIVE PLAN

The Management Incentive Plan ('MIP') was adopted on 28 February 2017 (see note 26) and takes the form of awards of A ordinary shares in UP Global Sourcing UK Limited ('Subsidiary Shares') which may, upon exercise of a put option, be converted into cash or shares in UP Global Sourcing Holdings plc ('Plc Shares'). 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.

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.

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SAVE AS YOU EARN SCHEME

The Save As You Earn ('SAYE') scheme was introduced on 11 February 2019 and 95 employees purchased 1,268,914 options (see note 26). The options have vesting periods of 3 and 5 years. Key estimates included in the share-based payment charge include an employee retention rate of 70.0 %, a dividend yield rate of 4.9 % and volatility of 68.4 %.

The estimate with the largest potential impact is the employee retention rate. If this rate was to increase by 5 % then the charge would increase by £13,000.

PERFORMANCE SHARE PLAN

The Performance Share Plan ('PSP') was introduced on 11 March 2019 and issued 1,120,000 share options to 21 members of management (see note 26). The options have vesting periods of 3,4 and 5 years and have various performance conditions. Key estimates included in the share-based payment charge include an employee retention rate of 83 % for some employees and 80 % for others, a dividend yield rate of 4.9 % and volatility of 66.5 %.

The estimate with the largest potential impact is the employee retention rate. If the rate were to increase by 5 % then the charge would increase by £23,000.

ACCOUNTING JUDGEMENTS

The key accounting 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 Statement of Financial Position.

6. REVENUE

GEOGRAPHICAL SPLIT BY LOCATION:

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
United Kingdom	74,751	63,535
Germany	11,846	3,550
Rest of Europe	34,659	18,546
USA	1,053	818
Rest of the World	948	1,122
Total	123,257	87,571
International sales	48,506	24,036
Percentage of total revenue	39.4 %	27.4 %

ANALYSIS OF REVENUE BY BRAND:

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Beldray	32,292	21,459
Salter	20,884	13,849
Intempo	8,248	8,457
Russell Hobbs	9,368	6,914
Progress	4,095	3,210
Premier brands	74,887	53,889
Other key brands	26,020	12,554
Key brands total	100,907	66,443
Other brands and own label	22,350	21,128
Total	123,257	87,571

ANALYSIS OF REVENUE BY MAJOR PRODUCTS:

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Small domestic appliances	34,061	21,413
Audio	27,286	15,022
Housewares	26,768	20,771
Laundry	11,204	10,735
Heating and cooling	8,779	5,089
Luggage	5,113	3,718
Others	10,046	10,823
Total	123,257	87,571

ANALYSIS OF REVENUE BY STRATEGIC PILLAR:

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Discount retailers	64,605	45,769
Supermarkets	20,108	12,079
Online channels	11,357	6,959
	96,070	64,807
Multiple-store retailers	18,942	16,321
Other	8,245	6,443
Total	123,257	87,571

During the year, management have altered the strategic pillars that are presented to the Board of Directors to better reflect the attributes of the Group. The prior year comparative segmental information has been restated.

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 £42,882,000 being 2 customers, (2018 – £34,257,000, being 2 customers). The prior year comparative has been restated (from £32,453,000, being 2 customers) such that the above amounts now relate to individual customers being considered at group level rather than entity level.

7. SHARE-BASED PAYMENT CHARGES

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Share-based payment expense (note 26)	257	192
Total	257	192

The share-based payment expense relates to the non-cash charge arising on the Management Incentive Plan ('MIP'), the Save As You Earn ('SAYE') scheme and the Performance Share Plan ('PSP') as referred to in note 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 2019 £'000	Year ended 31 July 2018 £'000
The profit is stated after charging/(crediting) expenses as follows:		
Inventories recognised as an expense	87,125	61,678
Impairment of trade receivables	105	36
Impairment of inventories	594	(35)
Staff costs – note 10	11,916	8,732
Foreign exchange loss	129	62
Operating lease costs	944	775
Depreciation of owned property, plant and equipment	779	525
Amortisation	11	2
Other cost of sales and operating expenses	12,773	10,043
Total	114,376	81,818

9. AUDITOR'S REMUNERATION

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Fees payable to the Company's auditor for the audit of the parent and consolidated annual accounts	27	26
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	35
Total audit fees	62	61
- Audit-related assurance services	11	10
Total non-audit fees	11	10

10. EMPLOYEE NUMBERS AND COSTS

The average monthly number of people employed was:

	Group		Company	
	Year ended 31 July 2019 Number	Year ended 31 July 2018 Number	Year ended 31 July 2019 Number	Year ended 31 July 2018 Number
Average number of employees (including Directors):				
Sales staff	66	49	-	-
Distribution staff	38	34	-	-
Administrative staff	161	149	3	3
Total	265	232	3	3

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

	Group		Company	
	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Wages and salaries	10,474	7,740	214	210
Social security costs	982	678	25	24
Other pension costs	203	122	-	-
Share-based payments	257	192	-	-
Total	11,916	8,732	239	234

Details of Directors' remuneration and pension entitlements are disclosed in the Remuneration Report on pages 74 and 76.

Social security costs payable in respect of the Directors were £220,000 (2018 – £127,000)

The aggregate amount of gains made by Directors on the exercise of share options was £Nil (2018 – £Nil).

11. FINANCE INCOME AND COSTS

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Finance Costs		
Interest on bank loans and overdrafts	617	333
Other interest payable and similar charges	75	50
Total	**692**	**383**
Finance Income		
Interest income on financial assets measured at amortised cost	6	53
Total	**6**	53

12. TAXATION

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Current tax		
Current period – UK corporation tax	1,494	1,003
Adjustments in respect of prior periods	(124)	(109)
Foreign current tax expense	329	192
Total current tax	1,699	1,086
Deferred tax		
Origination and reversal of temporary differences	14	35
Adjustments in respect of prior periods	20	13
Impact of change in tax rate	-	7
Total deferred tax	34	55
Total tax charge	1,733	1,141

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 2019 £'000	Year ended 31 July 2018 £'000
Profit before tax	8,195	5,423
Tax charge at 19.0 % (2018 – 19.0 %)	1,557	1,030
Adjustments relating to underlying items:		
Adjustment to tax charge in respect of prior periods	(104)	(96)
Effects of expenses not deductible for tax purposes	59	55
Impact of overseas tax rates	174	112
Effect of difference in corporation tax and deferred tax rates	(2)	3
Adjustments relating to share-based payment charges:		
Effects of expenses not deductible for tax purposes	49	37
Total tax expense	1,733	1,141

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The main rate of corporation tax will be reduced to 17 % from 1 April 2020.

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year, adjusted for the effects of potentially dilutive options. The dilutive effect is calculated on the full exercise of all potentially dilutive ordinary share options granted by the Group, including performance-based options which the Group considers to have been earned. At the year end, the MIP option scheme was non-dilutive as the Group's share price was below the exercise price.

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

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Profit for the year	6,462	4,282
	Number	**Number**
Weighted average number of shares in issue	82,169,600	82,169,600
Less shares held by the UPGS EBT	(2,315,204)	-
Weighted average number of shares – basic	79,854,396	82,169,600
Share options	552,536	-
Weighted average number of shares – diluted	80,406,932	82,169,600
	Pence	**Pence**
Earnings per share – basic	8.1	5.2
Earnings per share – diluted	8.0	5.2

14. DIVIDENDS

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Final dividend paid in respect of the previous year	1,508	2,872
Interim declared and paid	920	682
	2,428	3,554
Per share	**Pence**	**Pence**
Final dividend paid in respect of the previous year	1.89	3.50
Interim declared and paid	1.16	0.83
	3.05	4.33

The interim dividend declared in the year ended 31 July 2019 of 1.16 p per share was approved by the board on 26 April 2019 and was paid on 26 July 2019 to shareholders on record as at 5 July 2019.

The Directors propose a final dividend of 2.925 p per share in respect of the year ended 31 July 2019. The dividend is due to be paid on 30 January 2020 to shareholders on record at 3 January 2020.

15. INTANGIBLE ASSETS

	Group Trademarks £'000
Cost	
As at 1 August 2017	-
Additions	102
As at 1 August 2018	102
Additions	9
As at 31 July 2019	111
Accumulated Amortisation	
As at 1 August 2017	-
Charge for the year	2
As at 1 August 2018	2
Charge for the year	11
As at 31 July 2019	13
Carrying Amount:	
As at 31 July 2019	98
As at 31 July 2018	100
As at 31 July 2017	-

Intangible assets relate to the Kleeneze trademark and associated costs relating to the Portobello trademark. The amortisation charge reflects the spreading of the cost over the assets' expected useful lives. The balance principally relates to the Kleeneze trademark which has 8.8 years remaining. The amortisation charge for the year has been included in administrative expenses in the Income Statement.

The Company held no intangible assets.

16. PROPERTY, PLANT AND EQUIPMENT

	Group		
	Fixtures, Fittings and Equipment	Motor Vehicles	Total
Cost	**£'000**	**£'000**	**£'000**
As at 1 August 2017	4,145	68	4,213
Additions	829	-	829
Disposals	(15)	-	(15)
As at 31 July 2018	4,959	68	5,027
Additions	711	-	711
Disposals	(919)	-	(919)
As at 31 July 2019	4,751	68	4,819
Accumulated Depreciation and Impairment Losses			
As at 1 August 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
Charge for the year	767	12	779
Disposals	(919)	-	(919)
As at 31 July 2019	2,815	54	2,869
Carrying Amount:			
As at 31 July 2019	1,936	14	1,950
As at 31 July 2018	1,992	26	2,018
As at 31 July 2017	1,677	38	1,715

Included in property, plant and equipment are assets held outside of the UK with a carrying amount at 31 July 2019 of £282,000 (2018 – £302,000).

The depreciation charge for the year has been included in administrative 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 2019 £'000	31 July 2018 £'000
Carrying value at beginning of the year	16,933	16,741
Share-based payments	257	192
Carrying value at end of the year	17,190	16,933

At 31 July 2019, 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 2019 £'000	31 July 2018 £'000
Excess of depreciation over taxable allowances	54	75
Other temporary differences	19	32
	73	107

MOVEMENT IN DEFERRED TAX IN THE YEAR

	Group	
	31 July 2019 £'000	31 July 2018 £'000
Balance brought forward	107	162
Movement arising in the year	(34)	(55)
Balance carried forward	73	107

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 £548,000 (2018 – £616,000) in respect of losses carried forward.

19. INVENTORIES

	Group	
	31 July 2019 £'000	31 July 2018 £'000
Goods for resale	20,399	16,466
	20,399	16,466

Inventories at 31 July 2019 are stated after provisions for impairment of £379,000 (2018 – £271,000).

Inventories are pledged as security for liabilities, as referred to in note 23.

20. TRADE AND OTHER RECEIVABLES

	Group	
	31 July 2019 £'000	31 July 2018 £'000
Trade receivables	17,807	13,510
Other receivables and prepayments	917	1,281
	18,724	14,791

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.

These balances are subject to an assessment of expected credit losses (see note 24).

The Group maintains a high level of credit insurance on its trade receivables, averaging in excess of 95 % insured over FY 19 with the uninsured accounts closely monitored. Provisions are made on an item-by-item basis taking into account the level of insurance held. Trade and other receivables at 31 July 2019 are stated after provisions for impairment of £117,000 (2018 – £61,000).

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the reporting date but against which the Group has not recognised an expected credit loss because there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables at 31 July 2019 is 46 days (2018 – 41 days).

AGEING OF PAST DUE BUT NOT IMPAIRED RECEIVABLES

	Group	
	31 July 2019 £'000	31 July 2018 £'000
Less than 1 month	2,912	1,695
1–2 months	105	137
2–3 months	116	73
Over 3 months	192	147
	3,325	2,052

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date, taking into account the extent of credit insurance held on the receivable. The concentration of credit risk is limited due to the customer base being large and unrelated.

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 £105,000 at 31 July 2019 (2018 – £36,000).

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 2019 £'000	31 July 2018 £'000
Amounts owed by group undertakings	7,650	6,548
Other receivables and prepayments	42	29
	7,692	6,577

The credit risk of related parties is estimated based on the expected recoverable amount, taking into account the creditworthiness of the other party. Any expected credit loss is calculated based on the general approach as set out in IFRS 9. The Directors have determined that there has not been an increased credit risk within the year and no impairment charge has been recognised against these balances.

21. CASH AND CASH EQUIVALENTS

	Group	
	31 July 2019 £'000	31 July 2018 £'000
Cash at bank	122	95

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 2019 £'000	31 July 2018 £'000
Trade payables	9,202	8,610
Accruals	5,986	3,723
Other taxes and social security	246	198
	15,434	12,531

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 Sterling, US Dollars and Euros.

UP Global Sourcing Holdings plc has financial risk management policies in place to ensure that all payables are paid within the credit time frame and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

TRADE AND OTHER PAYABLES – COMPANY

	Company	
	31 July 2019 £'000	31 July 2018 £'000
Accruals	208	203
	208	203

23. BORROWINGS

	Group	
	31 July 2019 £'000	31 July 2018 £'000
Current		
Invoice discounting	6,509	4,503
Import loans	6,339	6,530
Revolving credit facility	1,719	-
	14,567	11,033
Less: Unamortised debt issue costs	-	(41)
	14,567	10,992

	Group	
	31 July 2019 £'000	31 July 2018 £'000
Non-current		
Revolving credit facility	-	1,893
	-	1,893
Less: Unamortised debt issue costs	-	(29)
	-	1,864
Total borrowings	14,567	12,856
The earliest that the lenders of the above borrowings require repayment is as follows:		
In less than one year	14,567	11,033
Between one and two years	-	1,893
Less: Unamortised debt issue costs	-	(70)
	14,567	12,856

BORROWINGS – COMPANY

	Company	
	31 July 2019 £'000	31 July 2018 £'000
Current		
Revolving credit facility	1,493	-
	1,493	-

	Company	
	31 July 2019	31 July 2018
	£'000	£'000
Non-current		
Revolving credit facility	-	2,965
	-	2,965
Less: Unamortised debt issue costs	-	(29)
	-	2,936
Total borrowings	1,493	2,936
The earliest that the lenders of the above borrowings require repayment is as follows		
In less than one year	1,493	-
Between one and two years	-	2,965
Less: Unamortised debt issue costs	-	(29)
	1,493	2,936

At 31 July 2019 the Group was funded by external banking facilities provided by HSBC, which ran to July 2020 and provided the ongoing funding of the Group. As set out in note 31, on 1 October 2019 the Group refinanced its facilities with HSBC under a five-year agreement to 2024. At 31 July 2019, the facilities comprised a revolving credit facility of £6.2 m, an invoice discounting facility of £17 m and an import loan facility of £8.7 m. The import loan facility is ancillary to the revolving credit facility, repayable on demand and subject to annual review. The new facilities comprise revolving credit facility of £8.2 m and an invoice discounting facility of £23.5 m, both running to 2024, together with an import loan facility of £8.7 m which continues to be repayable on demand and subject to annual review.

As at the balance sheet date, the revolving credit facility was due for renewal within one year and is therefore reported as a current liability. The refinancing will transfer this liability onto the new revolving credit facility which, as noted above, runs to 2024.

Current bank borrowings include a gross amount of £6,509,000 at 31 July 2019 (2018 – £4,503,000) due under invoice discounting facilities, which are secured by an assignment of and fixed charge over the trade debtors of UP Global Sourcing UK Limited. Furthermore, current bank borrowings include an amount of £6,339,000 at 31 July 2019, (2018 – £6,530,000) 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 2019 total bank borrowings are net of £Nil (2018 – £70,000) of fees which are being amortised over the length of the relevant facilities.

As the liabilities are at a floating rate and there has been no change in the credit worthiness of either of the counterparties, the Directors are of the view that the carrying amount approximates to the fair value.

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Group			
	At 1 August 2018 £'000	**Cash flow £'000**	**Non-cash changes £'000**	**31 July 2019 £'000**
Invoice discounting	4,503	2,006	-	6,509
Import loans	6,530	(191)	-	6,339
Revolving credit facility	1,893	(174)	-	1,719
Less: unamortised debt issue costs	(70)	-	70	-
Total	12,856	1,641	70	14,567

	Company			
	At 1 August 2018 £'000	**Cash flow £'000**	**Non-cash changes £'000**	**31 July 2019 £'000**
Revolving credit facility	2,965	(1,472)	-	1,493
Less: unamortised debt issue costs	(29)	-	29	-
Total	2,936	(1,472)	29	1,493

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 2019 £'000	31 July 2018 £'000
Trade receivables	17,807	13,510
Derivative financial instruments – assets	1,335	985
Trade and other payables	15,188	12,333
Derivative financial instruments – liabilities	54	-
Borrowings	14,567	12,856
Cash and cash equivalents	122	95

FINANCIAL ASSETS

The Group held the following financial assets at amortised cost:

	Group	
	31 July 2019 £'000	31 July 2018 £'000
Cash and cash equivalents	122	95
Trade receivables	17,807	13,510
	17,929	13,605

IMPAIRMENT OF FINANCIAL ASSETS

From 1 August 2019, the Group's financial assets subject to the expected credit loss model ('ECL') are trade receivables. The Group maintains a high level of credit insurance on its trade receivables (FY 19 average being over 95 %) and has a history of a low level of losses thereon. Under the credit insurance policy, insured limits are applied for on a customer account level and each customer receivable balance is compared against limit received. Where the customer balance exceeds or is forecast to exceed the insured limit, the Group's process for monitoring uninsured accounts is applied. Therefore, in measuring ECL the Group has taken account of its low historic loss experience together with its high level of credit insurance and reviewed the receivables on an item-by item basis.

	Group 31 July 2019			Group 31 July 2018		
	Up to 1 month past due £'000	Over 1 month past due £'000	Total £'000	Up to 1 month past due £'000	Over 1 month past due £'000	Total £'000
Gross carrying amount - Trade receivables (insured)	16,441	509	16,950	12,643	395	13,038
Expected credit loss	-	(113)	(113)	-	(58)	(58)
Net carrying amount	16,441	396	16,837	12,643	337	12,980
Gross carrying amount - Trade receivables (uninsured)	953	21	974	510	24	534
Expected credit loss	-	(4)	(4)	-	(4)	(4)
Net carrying amount	953	17	970	510	20	530
Gross carrying amount - Trade receivables (total)	17,394	530	17,924	13,153	419	13,572
Expected credit loss	-	(117)	(117)	-	(62)	(62)
Net carrying amount	17,394	413	17,807	13,153	357	13,510

The credit risk of Group undertakings is estimated based on the expected recoverable amount, taking into account the creditworthiness of the other party.

FINANCIAL LIABILITIES

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

	Group	
	31 July 2019 £'000	31 July 2018 £'000
Trade payables	9,202	8,610
Loans	14,567	12,856
Other payables	5,986	3,723
	29,755	25,189

DERIVATIVE FINANCIAL INSTRUMENTS

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

	Group	
	31 July 2019 £'000	31 July 2018 £'000
Derivative financial instruments – assets	1,335	985
Derivative financial instruments – liabilities	(54)	-
	1,281	985

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

	Group	
	31 July 2019 £'000	31 July 2018 £'000
Forward currency contracts	1,240	935
Interest rate swaps	2	8
Interest rate caps	39	42
	1,281	985

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 2019, the Group was committed to buy $35,500,000 (2018 - $28,750,000), to sell €16,050,000 (2018 – €12,400,000), to sell CA $155,000 (2018 – $100,000) and to buy CNY 7,960,000 (2018 – CNY Nil), paying and receiving respectively fixed Sterling amounts. At 31 July 2019, all the outstanding USD, EUR and CAD contracts mature within 12 months of the period end (2018 – 12 months). The CNY contracts which are held to hedge a lease commitment, mature over the length of that lease ending in August 2023. The forward currency contracts are measured at fair value using the relevant exchange rates for GBP:USD, GBP:EUR, GBP:CAD and GBP:CNY. The fair value of the contracts at 31 July 2019 is an asset of £1,240,000 (2018 – £935,000).

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

All of the forward contracts to buy US Dollars and Chinese Yuan 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 £1,277,000 (2018 – £838,000), which has been recognised in other comprehensive income. This will be released to profit or loss at the end of the term of the forward contracts as they expire, being £1,257,000 within 12 months and £20,000 after 12 months (2018 – £838,000 within 12 months). The cash flows in respect of the forward contracts will occur over the course of the period to August 2023 in accordance with the expiry of the contracts as noted above.

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 2019, protection was in place over an aggregate principal of £11,970,000 (2018 – £11,600,000).

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 £2,000 (2018 – £8,000), which has been recognised in other comprehensive income and will be released to profit or loss over the term of the swap agreements. The agreements expire between 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 £39,000 (2018 – £42,000).

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

	Group	
	31 July 2019 £'000	**31 July 2018 £'000**
Trade receivables	17,807	13,510
Prepayments and other receivables not classified as financial instruments	917	1,281
Trade and other receivables (note 20)	18,724	14,791

	Group	
	31 July 2019 £'000	**31 July 2018 £'000**
Trade and other payables	15,188	12,333
Other taxes and social security not classified as financial instruments	246	198
Trade and other payables (note 22)	15,434	12,531

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 below.

CREDIT RISK

The Group's sales are primarily made with credit terms, exposing the Group to the risk of non-payment by customers. The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed regularly by the Board. In addition, the Group maintains a suitable level of credit insurance against its debtor book. Over the course of FY 19, on average, over 95 % of its trade receivables were insured, subject to the policy deductible of 10 %. Sales to uninsured accounts are monitored closely with weekly forecasts prepared and reviewed with appropriate actions to manage the exposure to credit risk.

LIQUIDITY RISK MANAGEMENT

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

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 2019 $'000	31 July 2018 $'000
Trade receivables	9,893	7,458
Other receivables and prepayments	182	474
Net cash, overdrafts and revolving facilities	(117)	1,431
Import loans	(7,717)	(8,576)
Invoice discounting	(1,968)	(1,955)
Trade payables	(9,226)	(9,319)
	(8,953)	(10,487)

The effect of a 20 % strengthening of Sterling at 31 July 2019 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 £993,000 (2018 – £1,078,000). A 20 % weakening of the exchange rate, on the same basis, would have resulted in a decrease to total comprehensive income and a decrease to net assets of £1,489,000 (2018 – £1,617,000).

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

	Group	
	31 July 2019 €'000	31 July 2018 €'000
Trade receivables	4,678	3,457
Other receivables and prepayments	127	253
Net cash, overdrafts and revolving facilities	(76)	(222)
Invoice discounting	(3,584)	(2,395)
Trade payables	(170)	(164)
	975	929

The effect of a 20 % strengthening of Sterling at 31 July 2019 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 assets of £119,000 (2018 – £112,000). A 20 % weakening of the exchange rate on the same basis, would have resulted in an increase to total comprehensive income and an increase to net assets of £178,000 (2018 – £168,000).

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

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 Employee Benefit Trust reserve arising on the purchase of shares in the Group by the UPGS EBT.

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

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

e) The retained earnings reflecting comprehensive income to date.

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

FAIR VALUE ESTIMATION

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

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

MATURITY OF FINANCIAL ASSETS AND LIABILITIES

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

25. SHARE CAPITAL

NUMBER OF SHARES IN ISSUE

	31 July 2019	
Issued and fully paid:	Number	£'000
Ordinary shares of 0.25 p	82,169,600	205
Total shares	82,169,600	205

	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

RECONCILIATION OF MOVEMENTS IN SHARE CAPITAL

	Number	£'000
At 1 August 2018 and 31 July 2019	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 share option schemes in place during the years ended 31 July 2018 and 31 July 2019 as follows:

1. MIP OPTION SCHEME – 2017

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

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

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

	No. of shares under option 2019	Weighted average exercise price 2019	No. of shares under option 2018	Weighted average exercise price 2018
Outstanding at beginning of the year	-	-	2,258,735	-
Reduction in potential options due to adverse performance conditions	-	-	(2,258,735)	-
Outstanding at the end of the year	-	-	-	-

The reduction in potential options, due to adverse performance conditions, represents the fact that as at 31 July 2018 and 31 July 2019 the share price had 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 for the year ended 31 July 2019 relating to the MIP share-based payments was £192,000 (2018 – £192,000).

2. SAVE AS YOU EARN ('SAYE') OPTION SCHEME – 2019

On 13 February 2019, a SAYE scheme was introduced to the Group with all employees being able to participate in the scheme. This is a savings related scheme, where the employer deducts a fixed monthly amount from employees' salaries and after a period of 3 years (chosen by the majority of employees) or 5 years (chosen by a smaller number of employees), the employee can then purchase shares in UP Global Sourcing Holdings plc for a fixed exercise price. Employees can contribute anything from £10 to £250 per month to the scheme. The Remuneration Committee will consider making further invitations to participate in the scheme on an annual basis.

Upon the introduction of the scheme, options over 1,268,914 shares were granted to 95 employees.

	No. of shares under option 2019	Weighted average exercise price 2019	No. of shares under option 2018	Weighted average exercise price 2018
Outstanding at beginning of the year	-	-	-	-
Exercised during the year	-	-	-	-
Granted during the year	1,268,914	£0.4930	-	-
Outstanding at the end of the year	1,268,914	£0.4930	-	-

The weighted average contract length on the options in the SAYE scheme was 2.7 years (2018 – N/A).

The options were valued using the Black Scholes option pricing model and the total expense recognised for the year ended 31 July 2019, relating to SAYE share-based payments, was £26,000 (2018 – £Nil). The inputs to the Black Scholes model were as follows:

SAYE options at 31 July 2019

Share price at date of grant	£0.4930
Fair value at the year end – 3 years	£0.2017
Fair value at the year end – 5 years	£0.2152
Exercise price	£0.3950
Time to expiry (years)	3 and 5
Risk-free rate (%) – 3 years	0.905
Risk-free rate (%) – 5 years	0.784
Volatility (%)	68.4
Dividend yield (%)	4.9
Employee Retention Rate (%)	70

Volatility is measured using a weekly share price for the 52 weeks prior to the date of grant.

The risk-free rate is derived using a 3 and 5 year gilt rate.

3. PERFORMANCE SHARE PLAN ('PSP') OPTION SCHEME – 2019

On 11 March 2019, options were issued to certain members of management with performance conditions attached. The PSP allows for awards to be granted in various forms, and these options took the form of both tax-advantaged CSOP options and unapproved share options in order to maximise tax efficiency for the Company and employees whilst delivering, in effect, a nil cost option in line with the intention of the Remuneration Committee and standard market practice.

- A CSOP option was granted to all employees that were eligible (i.e. those other than the employees based overseas) ('the CSOP options').

- As CSOP shares can only be issued up to a maximum market value at the date of grant of £30,000, and in some cases a larger benefit was required, a top-up nil cost unapproved option was granted to certain employees.
- The intention of the Remuneration Committee was to grant awards with a nil exercise cost to the employee, however, under the CSOP scheme, the legislative requirements mean that these options must have an exercise price equal to the market value of a share at the date of grant.
  The Remuneration Committee therefore decided to issue additional options in a parallel scheme which are classed as unapproved options. The aim of this scheme is to compensate employees for the exercise price of £0.5917 multiplied by the number of shares obtained by exercising the CSOP options. The number of shares to be exercised in this scheme will depend on the number of shares options that are exercised in the CSOP scheme and the market price of the shares at the date of exercise.

The calculation of the share-based payment charge for the above has treated each part of the scheme separately. The CSOP and top-up options have been calculated using the Black Scholes model using the assumptions listed below.

Due to the nature of the parallel options they have been valued at the expected value that they are expected to give to the employee, which is the exercise price of £0.5917 multiplied by the number of options that are expected to be exercised.

	No. of shares under option 2019	Weighted average exercise price 2019	No. of shares under option 2018	Weighted average exercise price 2018
Outstanding at beginning of the year	-	-	-	-
Exercised during the year	-	-	-	-
Granted during the year	1,120,000	-	-	-
Outstanding at the end of the year	1,120,000	-	-	-

The weighted average contract length on the options in the PSP scheme was 3.9 years (2018 – N/A).

The options were valued using the Black Scholes option pricing model and the total expense recognised for the year ended 31 July 2019, relating to the PSP share-based payments, was £39,000 (2018–£Nil). The inputs to the Black Scholes model were as follows:

CSOP options at 31 July 2019

Share price at date of grant	£0.6140
Fair value at the year end – 3 years	£0.2178
Fair value at the year end – 4 years	£0.2326
Fair value at the year end – 5 years	£0.2414
Exercise price	£0.5917
Time to expiry (years)	3, 4 and 5 years
Risk-free rate (%) – 3 years	0.905
Risk-free rate (%) – 4 years	0.850
Risk-free rate (%) – 5 years	0.784
Volatility (%)	66.5
Dividend yield (%)	4.9
Employee retention rate (%)	83 % for employees in tiers 1 and 2 80 % for other employees

Top-up options at 31 July 2019

Share price at date of grant	£0.6140
Fair value at the year end – 3 years	£0.5294
Fair value at the year end – 4 years	£0.5039
Fair value at the year end – 5 years	£0.4796
Exercise price	Nil
Time to expiry (years)	3, 4 and 5 years
Risk-free rate (%) – 3 years	0.905
Risk-free rate (%) – 4 years	0.850
Risk-free rate (%) – 5 years	0.784
Volatility (%)	66.5
Dividend yield (%)	4.9
Employee retention rate (%)	83 % for employees in tiers 1 and 2 80 % for other employees

Parallel options at 31 July 2019

Share price at date of grant	£0.6140
Fair value	£0.5917
Exercise price	Nil
Time to expiry (years)	3, 4 and 5 years
Risk-free rate (%)	N/A
Volatility (%)	N/A
Dividend yield (%)	N/A
Employee retention rate (%)	83 % for employees in tiers 1 and 2 80 % for other employees

For the CSOP options and the top-up options, volatility is measured using a weekly share price for the 52 weeks prior to the date of grant.

The risk-free rate is derived using a 3, 4 and 5 year gilt rate.

27. RESERVES

SHARE PREMIUM

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

EMPLOYEE BENEFIT TRUST RESERVE

The cost of shares repurchased and still held at the end of the reporting period by the UPGS EBT.

SHARE-BASED PAYMENT RESERVE

The cumulative share-based payment expense.

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.

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 2019 £'000	Year ended 31 July 2018 £'000
Short-term remuneration	2,896	1,905
Other pension costs	64	64
Share-based payments	209	183
	3,169	2,152

TRANSACTIONS AND BALANCES WITH KEY PERSONNEL

No balances were outstanding at the end of either period and the maximum balance outstanding during these periods was nil. Additionally, Directors purchased goods from the Group during the year to 31 July 2019 and the total for all Directors amounted to £1,145 (2018 – £573).

TRANSACTIONS AND BALANCES WITH RELATED COMPANIES AND BUSINESSES

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Transactions with related companies:		
Rent paid to Heron Mill Limited	285	285
Rent paid to Berbar Properties Limited	180	180

The above companies are related due to common control and Directors. Barry Franks, Andrew Gossage and Simon Showman are Directors of Heron Mill Limited. Barry Franks (15 ordinary shares of £1.00 each), Simon Showman (50 ordinary shares of £1.00 each) and A&T Property Investments Limited (20 ordinary shares of £1.00 each) are also shareholders of Heron Mill Limited. Andrew Gossage is a

Director of A&T Property Investments Limited. Barry Franks is a Director and the sole shareholder of Berbar Properties Limited.

There were no outstanding balances with related companies or businesses at 31 July 2019 or 31 July 2018.

30. OPERATING LEASE ARRANGEMENTS

	Group	
	31 July 2019 £'000	31 July 2018 £'000
Outstanding commitments for future minimum lease payments under non-cancellable operating leases were as follows:		
Within one year	901	887
In the second to fifth years inclusive	1,814	2,579
In greater than five years	-	53
	2,715	3,519

31. POST BALANCE SHEET EVENTS

On 1 October 2019 the Group successfully refinanced its banking facilities under a five-year agreement with HSBC Bank plc.

Prior to the refinancing, the facilities consisted of a revolving credit facility ('RCF') of £6.2 m, an invoice discounting facility ('ID facility') of £17 m, and an import loan facility of £8.7 m.

As a result of the refinancing, the RCF and the ID Facility have been extended to 2024 and increased to £8.2 m (up £2.0 m) and £23.5 m (up £6.5 m) respectively.

The import loan facility remains at £8.7 m and, as before, is repayable on demand and subject to annual renewal.

32. IMPACT OF NEW ACCOUNTING STANDARDS NOT EFFECTIVE UNTIL THE YEAR ENDED 31 JULY 2020 – IFRS 16 LEASES

IFRS 16 is effective for periods beginning on or after 1 January 2019 and will be reflected in the Group's financial statements for the year ended 31 July 2020.

The key sensitivity in the application of IFRS 16 for the Group is the determination of the discount rate. The discount rate applied to each lease reflects the borrowing rate of the Group at the time the lease was entered into.

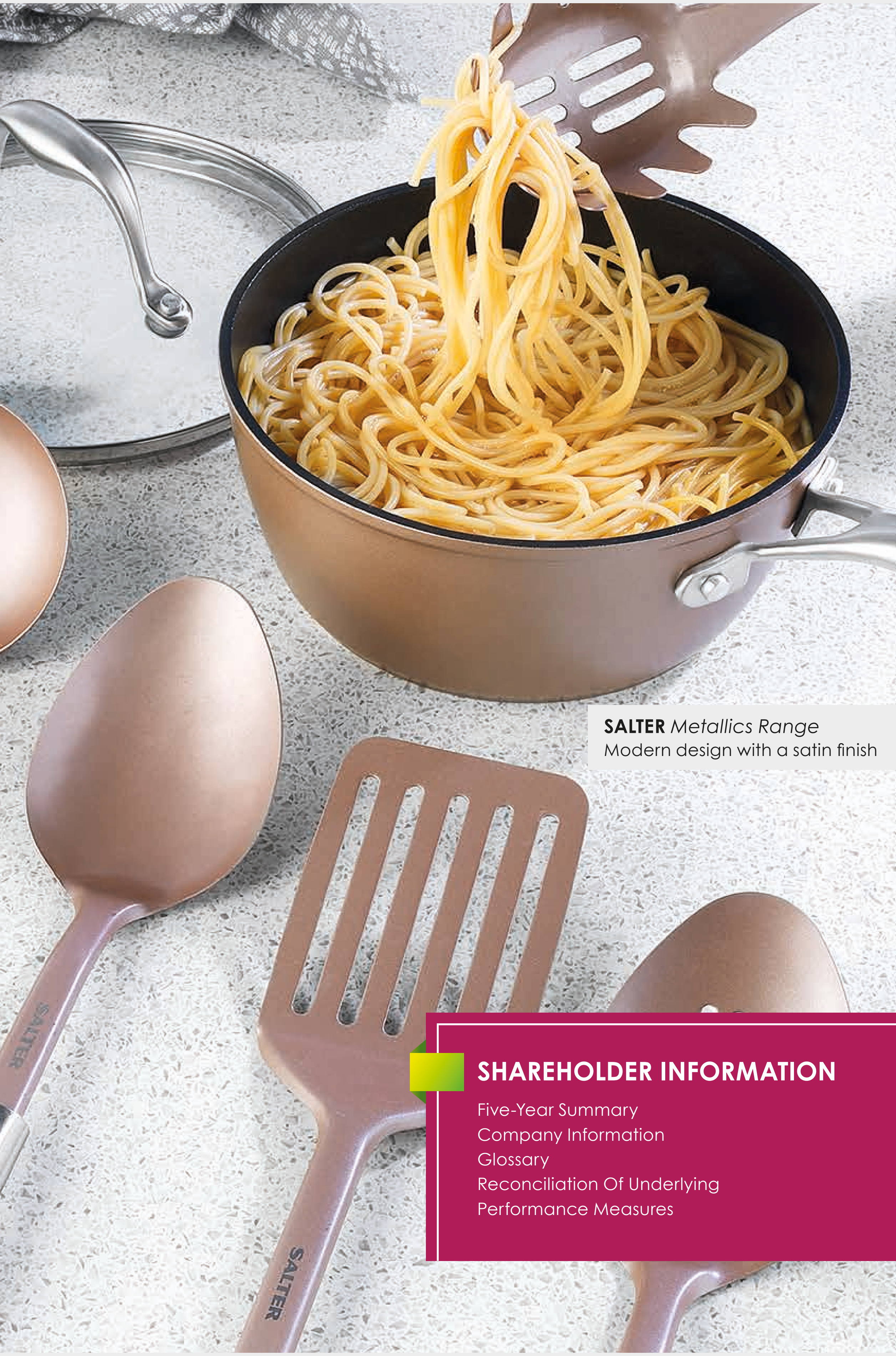
Management have assessed the provisional impact of IFRS 16 on the results of the Group and have disclosed the relevant restated statement of comprehensive income and statement of financial position areas below.

EXTRACT FROM THE RESTATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2019

	Pre IFRS 16 £'000	Rental charges removed £'000	Depreciation charge increased £'000	Finance costs increased £'000	Post IFRS 16 £'000
EBITDA	9,671	792	-	-	10,463
Depreciation and amortisation	(790)	-	(732)	-	(1,522)
Profit from operations	8,881	792	(732)	-	8,941
Finance costs	(686)	-	-	(126)	(812)
Profit before taxation	8,195	792	(732)	(126)	8,129
Income tax	(1,733)	(150)	139	24	(1,720)
Profit for the period	6,462	642	(593)	(102)	6,409

EXTRACT FROM THE RESTATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 JULY 2019

	Pre IFRS 16 £'000	Right of use asset £'000	Lease liability £'000	Other £'000	Post IFRS 16 £'000
Property, plant and equipment	1,950	3,043	-	-	4,993
Lease liability	-	-	(3,453)	-	(3,453)
Other receivables and payables	9,884	-	-	128	10,012
Net assets	11,834	3,043	(3,453)	128	11,552



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SHAREHOLDER INFORMATION

ULTIMATE PRODUCTS

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FIVE-YEAR SUMMARY

Set out below are the income statements showing the results for each of the 5 years to 31 July 2019. 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 2019 £'000	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
Revenue	123,257	87,571	109,953	79,028	64,100
Cost of sales	(96,013)	(67,979)	(85,386)	(60,114)	(48,880)
Gross profit	27,244	19,592	24,567	18,914	15,220
Administrative expenses	(18,363)	(13,839)	(16,676)	(12,214)	(10,453)
Profit from operations	8,881	5,753	7,891	6,700	4,767
Finance income	6	53	-	-	-
Finance costs	(692)	(383)	(464)	(441)	(471)
Profit before taxation	8,195	5,423	7,427	6,259	4,296
Income tax	(1,733)	(1,141)	(1,852)	(1,361)	(738)
Profit for the period	**6,462**	**4,282**	**5,575**	**4,898**	**3,558**

[1] The information in the table above, in respect of 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 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 administrative expenses as cost of sales.

SHAREHOLDER INFORMATION
FIVE-YEAR SUMMARY

NON-GAAP PERFORMANCE MEASURES

	Audited year ended 31 July 2019 £'000	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
EBITDA	9,671	6,280	8,280	6,980	5,017
Underlying EBITDA	9,928	6,472	11,512	8,226	5,688
Underlying EBITDA margin	8.1 %	7.4 %	10.5 %	10.4 %	8.9 %
Underlying profit before taxation	8,452	5,615	10,659	7,505	4,967
Underlying profit after taxation	6,719	4,474	8,406	5,895	4,090
Underlying earnings per share	8.2 p	5.4 p	10.9 p	8.0 p	5.5 p

[1] The information in the table above, in respect of 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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SHAREHOLDER INFORMATION
GLOSSARY

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;
'CNY'	the lawful currency of China;
'Company' or 'Ultimate Products'	UP Global Sourcing Holdings plc, a company incorporated in England and Wales with registered number 05432142;
'CY 19'	the calendar year 2019;
'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;
'FY 18'	the financial year for the Group for the 12 months ended 31 July 2018;

Term	Definition
'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;
'H1'	the six-month period ended 31 January;
'H2'	the six-month period ended 31 July;
'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;
'Official List'	the Official List of the UK Listing Authority;
'PSP'	Performance Share Plan scheme;
'Q1'	the first quarter of the financial year;

Term	Definition
'Q2'	the second quarter of the financial year;
'Q3'	the third quarter of the financial year;
'Q4'	the fourth quarter of the financial year;
'QA'	quality assurance;
'Remuneration Committee'	the Remuneration Committee of the Board;
'Remuneration Policy'	the proposed Remuneration Policy of the Board;
'SAYE'	Save As You Earn share scheme;
'SEDEX'	a not-for-profit membership organisation dedicated to driving improvements in responsible and ethical business practices in global supply chains;
'Sterling' or 'GBP' or '£'	the lawful currency of the UK;
'Subsidiary'	has the meaning given to it in section 1159 of the Companies Act and includes group companies included in the consolidated Financial Statements of the Group from time to time;
'UK Listing Authority'	the FCA in its capacity as the competent authority for the purposes of Part VI of FSMA;
'Underlying Earnings Per Share'	Underlying Profit for the Year divided by the weighted average number of shares in issue for the year;
'Underlying EBITDA'	EBITDA after adding back the exceptional items and share-based payment charges;
'Underlying EBITDA Margin'	Underlying EBITDA divided by revenue for the same period, expressed as a percentage;
'Underlying Profit Before Tax'	profit before taxation after adding back the exceptional items and share-based payment charges;
'Underlying Profit for the Year'	profit for the year after adding back the 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;
'UPGS EBT'	the UP Global Sourcing Employee Benefit Trust established to hold shares for the benefit of the Company's employees and to satisfy the vesting of awards under the Company's share schemes;
'US$' or 'USD' or 'US Dollar	the lawful currency of the United States of America.

The Reconciliation of Underlying Performance Measures is set out in the table below.

RECONCILIATION OF UNDERLYING PERFORMANCE MEASURES

	Year ended 31 July 2019 £'000	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
Profit from operations	8,881	5,753	7,891	6,700	4,767
Depreciation and amortisation	790	527	394	280	251
Gain on disposal	-	-	(5)	-	(1)
EBITDA	**9,671**	**6,280**	**8,280**	**6,980**	**5,017**
Exceptional items and share-based payment charges	257	192	3,232	1,246	671
Underlying EBITDA	**9,928**	**6,472**	**11,512**	**8,226**	**5,688**
Profit before taxation	8,195	5,423	7,427	6,259	4,296
Exceptional items and share-based payment charges	257	192	3,232	1,246	671
Underlying profit before tax	**8,452**	**5,615**	**10,659**	**7,505**	**4,967**
Profit for the year	6,462	4,282	5,575	4,898	3,558
Exceptional items and share-based payment charges	257	192	3,232	1,246	671
Tax on exceptional items and share-based payment charges	-	-	(401)	(249)	(139)
Underlying profit for the year	**6,719**	**4,474**	**8,406**	**5,895**	**4,090**
Underlying profit for the year	6,719	4,474	8,406	5,895	4,090
No of shares	82,169,600	82,169,600	77,254,220	73,863,084	74,106,800
Underlying earnings per share	**8.2 p**	**5.4 p**	**10.9 p**	**8.0 p**	**0.5 p**

[1] The information in the table above, in respect of 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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