ULTIMATE PRODUCTS

WELCOME TO THE HOME OF BRANDS

UP GLOBAL SOURCING HOLDINGS PLC
Annual Report and Accounts 2020

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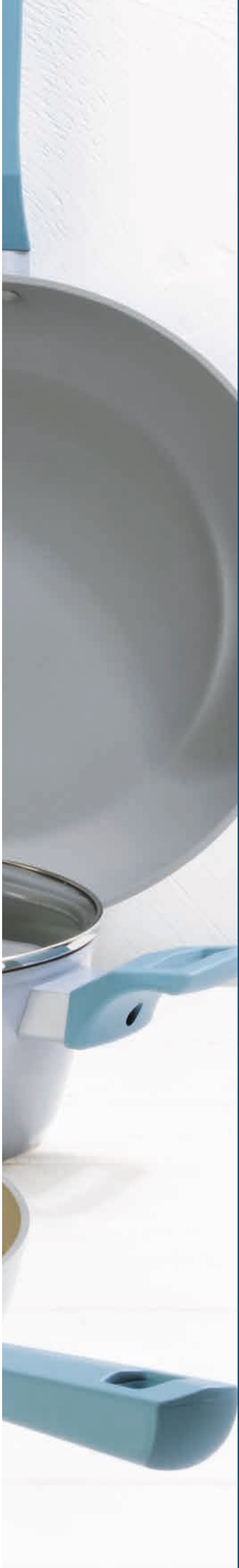
SALTER *Pastel Range*
Trend-led pastel designs for modern kitchens



Report Contents

Financial Highlights

REVENUE

£115.7 m

-6.1 %

UNDERLYING PROFIT BEFORE TAX*

£8.2 m

-2.7 %

NET DEBT/UNDERLYING EBITDA RATIO*

0.4 x

- **Revenue: £115.7 m**
  (FY 19 – £123.3 m, -6.1 %)
  - ◊ **International revenue:**
    £41.6 m (FY 19 – £48.5 m, -14.2 %)
  - ◊ **Online revenue: £16.7 m**
    (FY 19 – £11.4 m, +47.2 %)
- **Underlying EBITDA^:**
  £10.4 m (FY 19* – £10.7 m, -3.3 %)
- **Underlying EBITDA Margin^:**
  9.0 % (FY 19* – 8.7 %, +30 bps)
- **Underlying Profit Before Tax^:**
  £8.2 m (FY 19* – £8.4 m, -2.7 %)
- **Profit Before Tax:**
  £8.4 m (FY 19* – £8.1 m, +2.9 %)
- **Net Debt:**
  £3.8 m (FY 19 – £14.4 m)
- **Net Debt/Underlying EBITDA Ratio^:**
  0.4 x (FY 19* – 1.3 x)
- **Bank Facility Headroom:**
  £21.3 m (FY 19 – £10.1 m)
- **Underlying Earnings Per Share^:**
  7.9 p (FY 19* – 8.1 p, -2.5 %)
- **Full year Dividend Per Share:**
  3.955 p (FY 19 – 4.085 p, -3.2 %)

^ Indicates a non-GAAP measure. Definitions of non-GAAP measures and relevant reconciliations of underlying performance measures, calculated after adding back share-based payment charges and other non-underlying items as referred to in note 7 to the Financial Statements, are provided in the 'Glossary' section.

** Restated for the adoption of IFRS 16, Leases, as explained in note 33 to the Financial Statements.*

Strategic Report

CAMBRIDGE *Glass Bottles*
Fill. Drink. Save. Repeat.

Chairman's Introduction

I am pleased to introduce the Annual Report for FY 20, a year when the business once again demonstrated its resilience and adaptability against the extremely challenging background of the COVID-19 pandemic.

COMMUNITY

The Group takes its role as a responsible and socially engaged corporate citizen very seriously and has taken steps to help its local communities as they deal with the fallout of the pandemic. The business has been very active in supporting local charities, hospitals and other community organisations. In addition, the Group has also repaid to the taxpayer all monies received under the Coronavirus Job Retention Scheme ("furlough scheme").

I would recommend that all shareholders review the Environmental, Social & Governance section of this Annual Report and the Ultimate Products LinkedIn page to see in more detail the various initiatives with which the Group has been involved.

STRATEGY

The Group's strategy is to continually 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 resilient performance in FY 20, despite a challenging market for general merchandise during the current crisis, and continues to deliver into FY 21. The Board remains confident that this proven strategy will deliver sustainable growth in the future.

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, an outstanding team of committed and talented colleagues 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 through compelling value, quality and supply.

PERFORMANCE

Despite the unprecedented challenges of COVID-19, revenue and profitability saw only a modest reduction. Revenues declined during the initial lockdown as stores that governments classified as non-essential were closed and demand for general merchandise was subdued in those stores that were allowed to remain open. This was partially offset by an increase in demand via our Online channels. Overall revenues normalised towards the end of FY 20 as non-essential stores re-opened and retailer purchasing resumed.

Our balance sheet remains very strong with the Group seeing a significant reduction in net bank debt, maintaining comfortable levels of headroom within its facilities and operating well within its banking covenants. 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.

DIVIDENDS

The Board has a long-established dividend policy of distributing 50 % of the Group's adjusted profit after tax. A final dividend is recommended of 2.795 p per share (FY 19 – 2.925 p) to give a total dividend of 3.955 p per share for the full year (FY 19 – 4.085 p).

The final dividend is payable on 29 January 2021 to shareholders on the register on 4 January 2021.

SUMMARY

FY 20 was a year of unprecedented challenge which the Group has responded to exceptionally well. This response has been delivered by our flexible business model and a strong balance sheet but, more than that, by the remarkable response of colleagues to these exceptional circumstances. To witness their creativity, innovation, passion, commitment, entrepreneurial spirit and sheer hard work has been an inspiration. On behalf of all our stakeholders, I sincerely thank them for all of their efforts over the past year.

The Board believes that the unique capabilities of our colleagues is a key differentiator which underpins our long-standing 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. These qualities will help create further value for all our stakeholders and we remain confident in the Group's long-term growth prospects.

James McCarthy
Chairman

2 November 2020

BELDRAY *Arctic Dome*
Ice cold cooling with an aroma-diffusing night light

Chief Executive's Review

COVID-19

IMPACT AND MITIGATING ACTIONS

As the majority of the Group's products are sourced from China, the business saw significant disruption to its supply chain as that country was impacted first by the virus and its associated lockdowns. However, the disruption was handled extremely effectively by our supply chain teams in the UK and China with a minor impact, estimated at only £0.8 m, on FY 20 revenue.

As the virus moved to Europe, the Group then experienced significant demand side disruption with customers deferring or cancelling orders. This accelerated as lockdowns were imposed and non-essential stores were closed. The Group then undertook a range of financial and operational measures to protect the business and conserve cash. These included putting on hold all capital projects, ceasing all discretionary expenditure, making use of the government's VAT deferral and Time to Pay initiatives, extending our bank facilities with HSBC and suspending the interim dividend.

PROTECTING COLLEAGUES

From the beginning of the pandemic, our first priority has been the health and well-being of colleagues. We have and continue to do everything we can to ensure that they are given all of the support and assistance that they need. In accordance with government guidance, colleagues are working from home if they can. When this is not possible, there are a comprehensive range of safety measures in place in order to protect all colleagues working from the Group's sites.

COMMUNITY

Ultimate Products is headquartered in Oldham, Greater Manchester and we are hugely proud to be part of that community as well as the other communities in which we operate. We take our role as a responsible and socially-engaged corporate citizen very seriously and have taken steps to help our local community as it deals with the fallout from the pandemic. Going into this crisis, Oldham already faced economic and social challenges with a significant proportion of its wards within the 20 % most deprived in England. COVID-19 has compounded these challenges but the response of the community has been remarkable which reflects the innate energy, decency and spirit of its people. We have been proud to play our part in these efforts which have been funded by salary waivers by the Board. Like our Chairman, I would also recommend that all shareholders review the Environmental, Social & Governance section of this Annual Report and the Ultimate Products LinkedIn page to see in more detail the various initiatives with which the Group has been involved.

FURLOUGH MONIES

In August 2020 we announced our intention to repay the £465,237 received under the Coronavirus Job Retention Scheme ("furlough scheme"). This repayment has now been made in addition to bringing up to date, in July 2020, all VAT and PAYE payments which had been deferred under the government's VAT deferral and Time to Pay initiatives. This was made possible because the Group's profitability and cash generation have been stronger than expected during the crisis. Returning this money to the taxpayer was therefore the right thing to do and we are grateful to the government and the taxpayer for providing us with this support.

TRADING FOR THE YEAR

Despite the challenges of COVID-19, Group revenue only decreased by 6.1 % to £115.7 m (FY 19 – £123.3 m). Growth across the rest of the year was more than offset by the decline in revenues during the initial lockdown months of March 2020, April 2020 and May 2020 as non-essential stores closed and demand for general merchandise was muted in those that remained open. Overall revenues normalised during June 2020 and July 2020 as those non-essential stores reopened and retailer purchasing restarted.

Profitability declined at a lower rate than the decline in revenue with Underlying EBITDA down 3.3 % to £10.4 m (FY 19* – £10.7 m) and Underlying Profit Before Tax down 2.7 % to £8.2 m (FY 19* – £8.4 m). This reflected strong cost control along with an improved gross margin as a result of changes to customer mix, for example, Online.

This performance exceeded even our best-case scenarios at the start of lockdown, when plausible worst-case scenarios predicted significant losses and operating cash outflows month on month. In the end, we remained profitable in every month and actually improved our cash position over this difficult period.

The main reasons for this better than expected performance were (1) while many of our retail customers did close, those who sold food typically stayed open and remained an outlet for us and (2) we saw a substantial increase in Online demand as the consumer remained at home and this channel became, for a period, their main option for buying general merchandise.

DISCOUNTERS

Sales to Discounters fell by £19.9 m or 30.8 %. This severe fall reflected the fact that Discount retailers were more likely to be closed as non-essential stores compared to other segments such as Supermarkets. In addition, we temporarily stopped supplying our largest German customer, also a Discounter, as its UK parent undertook a strategic review of and subsequently sold that business.

SUPERMARKETS

Our brands continue to resonate well with the supermarket shopper both in the UK and increasingly in Europe. As a result, Supermarket revenue experienced robust growth, increasing by £8.0 m or 39.9 %, with the key drivers being the Salter and Beldray brands. This segment now accounts for 24.3 % of overall revenue. This represents substantial progress since FY 17 when its share was 14.2 % and we expect that Supermarkets will overtake Discounters in the next few years. This long-term growth in Supermarkets has been driven by improved consumer awareness and perception of our brands.

ONLINE PLATFORMS

The Online segment showed continued and substantial growth both in the UK and Europe, with revenue up £5.3 m or 47.2 % in FY 20. Online accounted for 14.5 % of overall revenue (FY 19 – 9.2 %) against a long-term target of 20 %+. During H2 FY 20, the Online share was even closer to this long-term objective at 18.8 % as growth accelerated during lockdown.

The momentum from FY 20 has continued into FY 21 with Online turnover to date significantly ahead of last year. Investment during H2 FY 20 in warehouse automation has also generated the additional capacity needed to meet this increased demand. In only a few years, Online has gone from a start-up to a substantial contributor to overall revenue and a key driver of growth.

INTERNATIONAL RETAILERS

After sustained and substantial growth in prior years, our international revenue declined by £6.9 m or 14.2 % in FY 20 as a consequence of non-essential store closures during lockdown and ceasing supply to our largest German customer as their UK parent undertook a strategic review and then sold that business.

We firmly believe that this is a temporary setback resulting from current circumstances and that the underlying prospects for our international business, mainly focused in Europe, remain strong. We are particularly excited about the opportunity in Germany where underlying growth in FY 20, excluding the effect of the customer above, was 43.7 % despite the impact of COVID-19.

MARGIN

Gross margin was up 0.9 % at 23.0 % (FY 19 – 22.1 %) as a result of a changing customer mix. Administrative expenses, before share-based payment charges and other non-underlying items, were broadly level but increased as a percentage of revenue on lower sales by 0.7 % to 15.3 % (FY 19* – 14.6 %). The net effect of these two factors was a small increase in our Underlying EBITDA Margin of 0.3 % to 9.0 % (FY 19* – 8.7 %).

OPERATIONAL REVIEW

PRODUCT DEVELOPMENT

During lockdown the Group continued to prioritise product development and our buying teams continued to source remotely with the help of our colleagues in Guangzhou. As a result, we went into the key Autumn/Winter 2020 season with a refreshed range that retailers have responded very positively to and which differentiates us from our competitors. In parallel, we kept our sales team in work and talking to our customers throughout the lockdown period, maintaining our key trading relationships in anticipation of when stores would re-open and buying recommence. This has provided a strong commercial platform as we move through FY 21 which is reflected in our healthy order book.

BRANDS

During FY 21, we plan to accelerate the development of our more recently acquired Progress and Kleeneze brands, with investments in their product ranges and marketing. Our objective over the next three years is to elevate their consumer prominence and revenue to levels currently seen by Salter and Beldray.

CAPITAL EXPENDITURE

During CY 20, we planned 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. This has been deferred during the current crisis but we expect to return to this project during CY 21 albeit with some amendments to reflect the differing work patterns that have developed during lockdown.

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 resilient trading during FY 20 despite a very challenging environment. 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 a good set of results for FY 20 through a relentless focus on our strategy and the talents of our colleagues.

While the conditions in the UK and Europe look set to remain challenging, with further lockdowns now announced, current trading is in line with expectations with the FY 21 order book ahead of this time last year. As such, the Board remains confident about the Group’s future prospects.

Simon Showman
Chief Executive Officer
2 November 2020

* Restated for the adoption of IFRS 16, Leases, as explained in note 33 to the Financial Statements

BELDRAY *Airlite Cordless*
Grab & go cleaning with a countertop charge base

BUSINESS MODEL AND STRATEGY

OUR PURPOSE, BUSINESS MODEL AND OPERATIONS

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

Ultimate Products is the owner, manager, designer and developer of an extensive range of value-focused consumer goods brands, focused on the home. Our wide range of original branded products create the opportunity for retailers to price our products competitively compared to their own-label equivalent. Our continued success stems from our unique capabilities:

- **We develop:** Spotting trends early, being innovative and developing new and existing products at pace is key.
- **We source:** Our innovative products derive from 15 countries with over 85 % coming from China.
- **We are branded:** Our portfolio of brands include: Beldray (laundry, floor care, heating and cooling), Salter (kitchenware), Intempo (audio), Kleeneze (laundry), Constellation (luggage) and Progress (cookware and bakeware).
- **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 107 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 over 250 people across the business.
- We have almost 400,000 sq. ft of warehousing in Oldham, Greater Manchester.

OUR PURPOSE, BUSINESS MODEL AND OPERATIONS ARE UNDERPINNED BY OUR VALUES

- We are passionate about product.
- We love our brands.
- We invest in our people.
- We go the extra mile for our customers.
- We care about our community.
- We always strive to do the right thing.

SALTER *Barista Pro*
High-quality espresso at home

AND OUR VALUES HELP SHAPE OUR CULTURE, WHICH IS DEFINED BY:

- Commitment to success and growth.
- Clarity in the setting and communication of goals.
- A clear sense of purpose.
- Rapid advancement for colleagues and shared reward.
- Continuous improvement in everything that we do.
- Constant opportunities for personal development and new experiences.
- Respect and courtesy for others.
- Doing what we can to help our community.
- Embracing diversity.
- Strong teamwork, regular feedback and continuous engagement with colleagues.

BUSINESS STRATEGY

Our strategy is to become the leading supplier of quality homeware products to an extensive range of customers in the global markets we serve. To achieve this, we will develop and own a portfolio of brands for mass-market, value-led consumer goods with our business managed around four key pillars for growth:

1. **International:** We are a global business, already selling into 37 countries worldwide and with 36 % 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.
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.
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, with a more attractive branded proposition for their customers and plan to increase our penetration of the UK supermarkets, along with developing relationships with international supermarkets, by demonstrating the effectiveness of our product offer in-store through increased LFL sales.
4. **Online channels:** Online accounts for over 20 % of non-food retail sales in the UK. In FY 20, online channels accounted for 14.5 % (FY 19 – 9.2 %) 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.

OUR PRIORITIES WHEN PURSUING OUR STRATEGY ARE:

1. To generate REPEAT business and through this deliver increased revenue and lower operating costs.
2. To have a UNIQUE product offer achieved through innovation and a focus on our brands.
3. To have best in class EXECUTION in everything that we do.
4. To be FOCUSED on our 4 key market growth pillars.
5. To exercise strong FINANCIAL MANAGEMENT in management of operating costs, cash and risk.

KEY PERFORMANCE INDICATORS

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

Where relevant the comparatives to the measures below have been restated for the adoption of IFRS 16, Leases, as explained in note 33 to the Financial Statements.

Measure	Description	Performance
Revenue and Revenue Growth	The revenue in the period and the increase relative to the prior period.	£115.7 m (-6.1 %)
Sales per Head	Revenue for the period divided by the average number of permanent employees and temporary agency staff in the period.	£367.8 k (-14.2 %)
Gross Margin Percentage	Gross profit for the period divided by revenue for the period.	23.0 % (+90 bps)
Underlying EBITDA^	Profit before interest, tax, depreciation and amortisation, excluding charges for share-based payments and other non-underlying charges.	£10.4 m (-3.3 %)
Underlying EBITDA Margin^	Underlying EBITDA for the period divided by revenue for the period.	9.0 % (+30 bps)
Underlying Profit Before Tax^	Profit before tax excluding charges for share-based payments and other non-underlying charges.	£8.2 m (-2.7 %)
Net Debt/Underlying EBITDA^ Ratio	Net debt at the end of the period divided by underlying EBITDA for the period.	0.4 x (FY 19 – 1.3 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.	98.8 % (FY 19 – 98.9 %)

^ Items marked are non-GAAP measures. Definitions and relevant reconciliations are provided in the 'Glossary' section

FINANCIAL REVIEW

COVID-19

The COVID-19 pandemic and lockdowns introduced over a large part of the world created an unprecedented challenge for the Group and exceptional uncertainty. The Board reacted quickly and decisively to protect our colleagues, the business and to conserve cash, putting in place measures to monitor the development of working capital, liquidity and other key financial metrics. The most significant actions taken included:

- suspending all non-essential capital projects;
- making use of the UK government's Time to Pay and VAT deferral schemes (subsequently repaid);
- initially furloughing 108 employees and claiming under the Coronavirus Job Retention Scheme ('CJRS') (subsequently repaid);
- suspending the interim dividend; and
- extending banking facilities with HSBC to support a plausible downside scenario.

The Board closely monitored performance against a range of scenarios that were prepared on lockdown with weekly update conference calls to consider financial and operational matters along with the health and well-being of our colleagues. Trading and financial performance exceeded our best-case scenario, reporting profits and lower net bank debt levels month on month (at no point drawing on the extended banking facilities) even to the extent of reporting a net positive cash position at the end of June. In July, all tax deferral schemes being utilised were brought to an end, with tax payments being brought up to date and the Board further discussed the repayment of furlough monies claimed under the CJRS. Later in August, the Board decided that, given the trading performance and the financial position and forecasts, the right and proper thing to do was to repay the CJRS claim.

With trading normalised, all external financial support ended, debt levels significantly reduced, high levels of headroom on bank facilities and supportive cautious forecasts, the Board then considered the suspended interim dividend. With all other stakeholders' positions back to normal, the Board recognised that our previously stated dividend policy was an important part of the investment decision for certain private and institutional shareholders and concluded that returning to a fully normalised position for all stakeholders was appropriate to promote the success of the Group for the benefit of all its members and stakeholders as a whole. Therefore, as announced on 7 September, an interim FY 20 dividend of 1.16 p per share was declared and the policy of distributing 50 % of the Group's adjusted profit after tax was re-instated. A final dividend of 2.795 p per share has been proposed for approval at the Annual General Meeting on 11 December 2020.

OVERVIEW

The results are presented having adopted IFRS 16 using the fully retrospective method with FY 19 restated, in line with indications given in note 32 of the FY 19 Annual Report.

Given the COVID-19 challenges faced in the year, performance exceeded expectations, reporting relatively modest reductions in revenue and profitability, with improvements in margins and a strong reduction in net bank debt as set out in the table below.

INTEMPO *Wi-Fi Extender*
Boost home Wi-Fi and stay connected

FINANCIAL REVIEW

	FY 20	FY 19	Change
Revenue (£'m)	115.7	123.3	-6.1 %
Gross margin	23.0 %	22.1 %	+90 bps
Underlying EBITDA (£'m)^	10.4	10.7	-3.3 %
Underlying EBITDA margin^	9.0 %	8.7 %	+30 bps
Underlying profit for the year (£'m)^	6.5	6.7	-2.4 %
Profit for the year (£'m)	6.6	6.4	+3.2 %
Net cash generated from operations (£'m)	15.8	4.6	+£11.2 m
Free cash flow (£'m)^	14.5	3.2	+£11.3 m
Net debt (£'m)^	3.8	14.4	-£10.6 m
Net debt/Underlying EBITDA ratio^	0.4 x	1.3 x	-69.2 %
Underlying earnings per share (p)^	7.9	8.1	-2.5 %

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 and other non-underlying items referred to in note 7 to the Financial Statements and commented on below.

REVENUE

In spite of the significant impact of the COVID-19 pandemic and resulting closure of non-essential stores, the decline in FY 20 revenue was only 6.1 %, a reduction of £7.6 m to £115.7 m (FY 19 – £123.3 m). Our four largest divisions account for over 80 % of our sales, and whilst Small Domestic Appliances ('SDA'), Housewares and Laundry all delivered growth over FY 20, the Audio division faced tough comparatives and was particularly impacted by store closures in both UK and Europe, along with, as reported in our Interim Statement, the relative decline in sales to a large European retailer after strong intake of additional lines in FY 19. In contrast to Audio, SDA and Housewares performed well over the year, with growth in H2 (of 7.7 % and 11.1 % respectively) supported by the strong performance of the online channel and the increased popularity of home cooking.

The earlier Chief Executive's Review comments further on the performance of our key pillars and the respective challenges and successes over FY 20. Whilst the increased share of sales of our supermarket and online segments may be challenged by some as being distorted by the impact of the pandemic and store closures, looking further at the results (with H2 growth of 33.2 % and 72.5 % respectively) supports our positive view of the performance and the development over recent years.

BRANDS

Our strategy is to focus on offering a portfolio of brands for mass-market, value-led consumer goods to enable us to become the leading supplier of quality homeware products. The summary of the Premier Brands, representing 70.0 % of total revenue (FY 19 – 60.8 %), is set out below:

	FY 20 £'m	FY 19 £'m	Change %
Beldray	32.8	32.3	+1.5
Salter	25.8	20.9	+23.7
Intempo	5.0	8.2	-38.8
Russell Hobbs	11.7	9.4	+25.3
Progress	4.4	4.1	+7.7
Kleeneze	1.2	0.2	+617.0
	80.9	75.1	+7.9

Overall growth in the Premier Brands significantly outperformed the Group as a whole, driven largely by the supermarket and online segments along with the above mentioned increased popularity of home cooking. As over approximately 60 % of Beldray revenue is derived outside these two segments, its overall result was heavily influenced by the performance of the other segments, including the impact of store closures therein.

Our proprietorial brands account for 54.0 % of total revenue, down from 60.5 % in FY 19, largely due to the Audio division (referred to above). The newest addition, Kleeneze (acquired in June 2018 at a cost of £102,000), has now progressed beyond the first significant milestone of £1m of sales. As referred to in the Chief Executive's report, our plans are now to accelerate the growth of Kleeneze and Progress (acquired July 2015) over the next three years to position them alongside Beldray and Salter, thereby increasing the share of sales for our owned brands.

MARGINS

Reported gross margin increased by 90 bps to 23.0 % and with the average US Dollar exchange rate relatively stable, changes in customer mix were the key contributors to this development in FY 20. Notably, online sales, which achieve a higher gross margin, saw a strong

increase in share of sales from 9.2 % to 14.5 %. This was coupled with a further increase in the share of landed sales (includes online sales), which are also typically higher gross margin, increasing from 51.8 % to 60.8 % of sales.

The FY 20 cost of sales include an expense incurred in generating online sales which was reclassified from administrative expenses to cost of sales to better reflect the underlying nature of the cost. The amount involved was £548,000 (FY 19 – £193,000) and had the prior year been adjusted FY 19 gross margin would have been 0.2 % lower.

Although revenue was 6.1 % lower than last year, the higher gross margin percentage partially mitigated the decline in gross profit to 2.4 %. However the growth in online and other landed sales, whilst typically being at a higher gross margin, requires a higher cost to serve and this had an incremental impact on overheads. From the above mentioned 90 bps increase in gross margin, the less than proportionate reduction in underlying overheads (underlying administrative expenses excluding depreciation and amortisation) resulted in the Group's underlying EBITDA margin increasing by 30 bps to 9.0 %.

OVERHEADS

Underlying administrative expenses reduced by £0.4 m (-2.0 %) to £17.7 m in FY 20, £0.2 m of which relates to the costs reclassified as cost of sales in FY 20, as referred to above.

'Resource costs' (essentially payroll costs plus temporary staff) remain our most significant cost accounting for over 65 % of overheads. The average number of employees increased by 9.1 % to 289 and the most significant contributor of the increase was to support growth of online sales and other landed sales, where higher gross margins are achieved but with a higher resource cost to serve. However, as a result of the COVID-19 pandemic, to protect the business and leave the Group well-placed to progress in the future, some reductions in headcount took place in the latter months such that total headcount at the end of the year was 271, compared to the average of 289. The incremental impact of the increase in the average number of employees, together with the incremental effect of salary increases awarded over the course of the FY 19 and prior to the COVID-19 lockdown were, however, compensated by a reduction in performance related bonus costs, such that overall resource costs were broadly level with the prior year.

Other overheads were £0.2 m lower than last year (after adjusting for the £0.2 m reclassified as above) reflecting the reversal of a £0.2 m increase in H1 as activities were curtailed due to the pandemic, particularly exhibition and travel costs.

SHARE-BASED PAYMENT CHARGES AND OTHER NON-UNDERLYING ITEMS

As explained above, the Group initially took advantage of, and claimed, £0.5 m under the CJRS but subsequent to the year end, decided to repay the full amount claimed. Therefore, the credit to the Income Statement for the grant received in FY 20 will be reversed by a corresponding debit in FY 21. This FY 20 credit and the non-cash, share-based payment charges 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 27 to the Financial Statements.

INTEREST

Finance costs were £0.1 m lower (-7.7 %) than FY 19. As commented above, working capital and, therefore, bank debt have reduced significantly during H2 with the year end net bank debt being £3.8 m (FY 19 – £14.4 m) and the average debt over FY 20 reducing by £3.3 m to £9.3 m. Ongoing arrangement and facility fees, along with costs for interest rate protection, have resulted in a less than pro rata "flow through" of the reduction in debt levels to the total cost.

TAXATION

The effective underlying tax rate is 20.3 % (FY 19 – 20.5 %).

BALANCE SHEET AND CASH FLOW

The Group's balance sheet strengthened further over the year, with net assets increasing by £1.9 m to £13.4 m. The key points to note regarding the balance sheet and cash flow can be summarised as follows:

With substantially lower inventories and higher payables, **working capital** reduced by £6.9 m in FY 20 (-28.7 %) compared to 6.1 % reduction in revenue.

- **Inventories** reduced by 21.5 % (-£4.4 m) in FY 20. Increasing stock turn has been a focus area for the supply chain management team over the course of the year and continues to be. However, a more significant impact has been the accelerated growth of online during lockdown, then coupled with strong demand for sales from stock as non-essential retailers re-opened, having not placed forward orders due to the inherent uncertainty over lockdown. The reduction in stock between 'sold stock' and 'free stock' was similar, with the latter amounting to £6.2 m at 31 July 2020 (31 July 2019 – £7.6 m).
- **Trade and other receivables** were broadly level with FY 19 as revenue normalised in June and July, and debtor days were broadly comparable - an increase of 3 days to 49 days, being in the middle of the range experienced in FY 20 which was from 38 to 61 days. The variation in debtor days was generally due to changes in customer mix, with the upper end of the range arising during lockdown with stores closed and some resulting customer payment delays, which had been cleared by the end of the year.
- **Trade and other payables** are £2.3 m (+15.2 %) higher than last year, with trade payables £1.6 m (17.0 %) higher as the Group continued to secure increased payment terms from factories in China. The increase in terms is supported by a balanced trading relationship, the Group's strong financial position and a delivered commitment to pay promptly.

Derivative financial instruments largely relate to the Group's forward foreign exchange contracts taken out under the Group's consistently applied hedging policy. At the end of FY 20, the total of the derivative financial instruments amounts to a liability of £1.3 m (FY 19 – an asset of £1.3 m) which is largely reflected in the hedging reserve at 31 July 2020 (similarly in FY 19).

The **Current tax** liability has reduced by £0.5 m to £0.3 m as changes to the UK corporation tax payments regime applied for FY 20 and tax payments on account are now required to be made wholly in the current period, whereas at 31 July 2019, approximately 50 % of the FY 19 UK liability remained outstanding.

The **Employee Benefit Trust reserve** represents the shares purchased by the UPGS EBT. Over the course of the year, the trust purchased 750,000 at a cost of £506,000 and it now holds 4,058,307 Shares in the Group (representing 4.94 % of the Group's issued share capital). The Group intends to satisfy the exercise of share options awarded under its SAYE and PSP schemes), 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 £15.8 m, an improvement of £11.2 m compared to FY 19 and this broadly flows through to the £14.5 m free cash inflow. This reflects the year's broadly similar EBITDA and a reduction in working capital. The tax payments in FY 20 reflect 1½ years of UK corporation tax due to the changes in the timing of instalments as noted above.

	FY 20 £'m	FY 19 £'m
EBITDA	10.6	10.5
Changes in working capital	6.9	(4.9)
Tax paid	(2.3)	(1.3)
Other items	0.6	0.3
Net cash from operations	15.8	4.6
Net capital expenditure	(0.6)	(0.7)
Net interest paid	(0.7)	(0.7)
Free cash flow^	14.5	3.2

After the free cash flow of £14.5 m, the significant other cash movements included:-

- dividends of £2.3 m were paid (FY 19 – £2.4 m);
- the UPGS EBT purchased Shares in the Group to the value of £0.5 m; and
- the capital element of IFRS16 lease obligations amounted to £0.8 m.

Overall, this resulted in a reduction in net bank debt of £10.6 m to £3.8 m, with the corresponding net debt/underlying EBITDA ratio reducing from 1.3 x to 0.4 x. At 31 July 2020 the Group reports being in a strong financial position with cash balances of £0.3 m, senior debt of £0.2 m and borrowings under the trade facilities of £3.9 m (FY 19 – £12.8 m), the latter being supported by underlying net trading assets of £23.3 m (FY 19 – £29.0 m). Headroom on the Group's bank facilities amounted to £21.3 m, which includes a remaining £3.0 m from the additional temporary facility put in place as protection against the uncertainty that arose with the pandemic.

FINANCING AND GOING CONCERN

The Group's financing is supported 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 reported last year, 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.

As referred to above and also set out in note 23, on 7 May 2020 as a protective measure against the uncertainty of COVID-19, the Group increased the revolving credit facility with HSBC on a reducing basis to 31 January 2021.

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 2020 was £21.3 m (31 July 2019 – £10.1 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

Following the UK's departure from the EU in January 2020, there remains a lack of clarity around future trading arrangements after the transition period. The eventual outcome could potentially result in border disruption, increased costs arising from trade tariffs and currency fluctuations, and a general fall in consumer demand. 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 the Far East 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. The resultant impact of any potential trade tariffs upon purchases is therefore expected to be modest.
- Only a small proportion of the Group's international sales are conducted over a UK/EU border. Approximately 50 % of the Group's sales are made on either an FOB basis, with delivery to the customer in the country of origin, or on a direct delivery basis, with delivery from the country of origin to the customer's destination country.
- 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.
- 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 29. 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 value and service offering to its customers, as evidenced by the good set of results delivered in FY 20 in spite of exceptional conditions.

The Board continues to closely monitor Brexit developments.

Graham Screawn
Chief Financial Officer

2 November 2020

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 non-food spending, including those as a result of Brexit and COVID-19 (discussed below), could affect retail demand. Furthermore, an increase in food prices could similarly reduce non-food spending with consumers prioritising food expenditure.	The Group's international business provides economic diversity and some protection against a downturn in the UK economy. Despite the challenging market conditions, the Group sees the opportunity to increase its market share by developing new customer relationships, particularly internationally via its German showroom and international sales team and by continued growth in online channels. 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	Following the UK's departure from the EU in January 2020, there remains considerable uncertainty around future trading arrangements after the transition period. Such economic and political volatility continues to contribute to an already challenging retail market. A 'no deal' Brexit could result in a further weakening of Sterling, border disruption and the introduction of trade tariffs, 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, margin and supply chain 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 sales also offer economic diversity and some protection against movements in Sterling. Only a small proportion of the Group's international sales are conducted over an EU border (the majority being carried out on either on an FOB or direct delivery basis), therefore the impact of Brexit upon turnover and margins is considered to be manageable. Similarly, a substantial majority of the Group's products are sourced from China and are therefore already subject to World Trade Organisation rules, therefore the impact of trade tariffs upon purchases is expected to be minimal.	←→
COVID-19	The Group could experience supply chain disruption in the event that factories are closed in a future lockdown scenario. Demand side could also suffer disruption due to the closure of non-essential retail stores. Operations could be impacted by employee absenteeism and travel restrictions as a result of the virus. In the longer term, the COVID-19 pandemic may have a significant and prolonged impact on global economic conditions which could reduce consumer demand for the Group's products.	The Group's first priority is the health and well-being of its colleagues. Measures to protect its employees include home-working to reduce numbers at the office and facilitate social distancing, as well as a comprehensive range of strict safety measures to safeguard those colleagues working at the Group's sites against the spread of the virus. Established practices are in place for our colleagues in China to follow in order to manage supply chain disruption. Such practices were followed on lockdown in China earlier in the year, reducing the impact on FY 20 revenue which was estimated at £0.8 m.	**NR**

PRINCIPAL RISKS AND UNCERTAINTIES

Area	Risk	Mitigation	Movement
COVID-19 (cont'd)		Demand for the Group's products is partially protected by its range of customers including supermarkets, who typically remain open during a lockdown, along with its online platforms which, similarly, continue to operate and become consumers' main channel for buying general merchandise during a lockdown. The Group's UK buying team remain in close contact with the team in China, who can continue factory visits and maintain a focus on innovation whilst non-Chinese nationals face travel restrictions. The Board continues to monitor the situation in each of the countries in which the Group operates, in order that it can react to the latest local Coronavirus guidelines and respond to changing dynamics by implementing protective financial and operational measures when necessary. The Group's products, being mass-market,value-led and innovative are well-placed in the event of an economic downturn. The Group has adequate funding headroom to withstand a reduction in revenue and margin as a result of the pandemic (see Viability Statement on page 29).	
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 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.	←→

Area	Risk	Mitigation	Movement
Customer concentration	A significant 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. Furthermore, investment into warehouse automation in FY 20 has generated additional capacity and sufficient headroom to support further growth in the online segment.	↓
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. COVID-19's potential impact on the supply of goods for resale is referred to above.	↑
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. This has continued to be a priority despite the COVID-19 outbreak, facilitated by our local Chinese team working with our UK buying team as referred to above. Buying teams and senior management attend trade shows and carry out store and factory visits to ensure that they are in touch with the latest consumer demands and trends.	←→

PRINCIPAL RISKS AND UNCERTAINTIES

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 may experience 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. As a result of COVID-19, the Group may be at an increased risk of deferrals or cancellation of orders, customer returns and slow stock turn.	Stock levels and purchasing are closely managed, with all purchase orders being reviewed by senior management before being placed. The Group's "Critical Path" system facilitates close management of the completion and timing of purchase orders placed. Stock is categorised between 'free' and (pre) 'sold' to ensure that management focus on higher risk items. 'Free' stock is reviewed 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.	←→

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 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 to incentivise its workforce and to further improve retention.	←→
Cyber security	Risk of cybercrime with the potential to cause operational disruption, loss of key systems, loss of online sales, theft of data or reputational damage.	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. During the year, a comprehensive evaluation of the Group's cyber security was carried out in order to reduce the risk of a cyber-attack whilst ensuring a rapid and clean recovery from such an attack. New employees receive IT training to increase awareness of cyber risk. Disaster recovery and business continuity plans are in place.	↑
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.	←→

PRINCIPAL RISKS AND UNCERTAINTIES

Area	Risk	Mitigation	Movement
Financial risks (cont'd)	• 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 97 % insured over FY 20 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.	

VIABILITY STATEMENT

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Directors have assessed the viability of the Group over a three-year period to July 2023, 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 2023.

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.

In October 2019, the Group refinanced its bank facilities with HSBC, comprising an £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 an £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 2023 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 and the impact from a further extensive and prolonged lockdown due to COVID-19 (as noted below), in a similar nature to that experienced earlier in the year with the Group's distribution facilities remaining open;
- margin dilution; and
- customer concentration.

The prolonged COVID-19 lockdown assumption is that it would last for six months, with average monthly revenue being 80 % of the average realised over the three month period impacted from March to May this year.

The adverse impacts of the stress testing were reflected as reductions in revenue and gross margin. In the situations reviewed, the business remained robust, with sufficient funding and headroom and compliance with key covenants, and able to remain in operation over the period reviewed. The Board considers that the Group's long-term relationships with many of its customers and suppliers, its increased diversification through new customer relationships and international focus and its value-led branded consumer goods strategy, offer the Group protection from and the necessary resilience to withstand such severe scenarios materialising.

The Board selected the period of three years to 31 July 2023 as an appropriate period for the Group's Viability Statement, as management currently use three-year forecasts as part of the business planning process.

KLEENEZE *Slimline Mop and Bucket*
Soak, wring and go with built-in wringing function

Ultimate Products recognises the importance of maintaining the highest standards of corporate behaviour and setting the right example for others to follow. As a business, we are proud of the positive contribution we believe we are making to those who work for, and with, the Group, as well as the wider society in which we operate.

At the start of the year, the business focused on understanding its values and ensuring that these are at the core of everything that we do. We also made sure that our people and business culture positively affirm our purpose and, in doing so, we have striven to support those people and initiatives that we can positively contribute towards and make a difference to.

More than ever, it is important that we positively affect and play our part in addressing the key issues facing society and, in order to achieve this, we have aligned our core values to our corporate behaviour.

This year our efforts can be divided into two distinct periods:

(i) pre COVID-19 lockdown; and
(ii) post COVID-19 lockdown.

Although our initial plans may have changed mid-year, we were motivated to remain aligned to our core values and ensure that our actions continue to contribute positively.

We continue to use our corporate LinkedIn profile as the centralised location for chronicling our ongoing efforts. This ensures our global colleague base and partners can keep track of the many contributions we are making.

PRE COVID-19 LOCKDOWN

Our aim is to ensure that every colleague has the opportunity to contribute to our corporate behaviour in their own way. The Board of Directors takes ultimate responsibility but this year there has been a strong focus in wider employee engagement through greater inclusion of our wider team in the work we do. As such, we have introduced a much broader spectrum of employee representation through various groups and committees including:

- The Employee Consultation Group with 12 employee representatives;
- The Community Engagement Team with 22 employee representatives;
- The UK and Far East Charity Committees with 12 and 5 employee representatives respectively;
- The Environmental Committee with 11 employee representatives; and
- The Modern Slavery Committee with 10 employee representatives

UPGS UK *Charity Committee*

These new areas enable much wider input and contribution from our very passionate and dedicated colleagues who share the common goal of supporting others and doing the right thing. Their input and influence have helped shape our efforts throughout this year, whilst remaining true to our core values.

1. WE SUPPORT OUR PEOPLE

Whether recruiting new employees or developing our existing teams, our goal is to ensure that we foster a business culture that enhances talent and enables people to fulfil their potential. We pride ourselves on being a talent business, where colleagues can actively contribute to a dynamic corporate environment and help shape the outlook of our global business.

Our people are a key component to our success and we are proud of creating an environment that enables our colleagues to create innovation, positively evolve the way we work and actively participate in continual development of the wider business. A variety of career paths, development schemes, support structures and staff recognition programmes are in place to provide a framework for staff retention, career development and future success.

In addition, the Group launched an UK-wide Employee Assistance Programme (EAP) in partnership with Health Assured, to ensure that our teams have varied routes to obtain support, advice and guidance on all matters whether it related to work or home.

INVESTING IN OUR TALENT

Our goal is to invest in our talented colleagues in order to add value and promote successful career progression. If our people are collectively successful within their roles, their output and productivity positively contribute to the success of the business.

We provide a variety of training opportunities, as we recognise that different people learn in different ways, and that knowledge, skills and experience can be enhanced through different approaches. From structured classroom training, to online and digital training through LinkedIn Learning and Udemy, to job shadowing with our training champions and externally provided training courses, we try to ensure that there's something to suit every individual colleague in every area of the business.

As part of our commitment to providing more training opportunities, we have increased our expenditure on external training by 27 % compared to FY 19.

NEW MENTORING PROGRAMME

As the business continually expands and welcomes an increasing number of new joiners, we recognise the importance of ensuring our new colleagues are welcomed into our business by receiving training, guidance and support within their day-to-day working life.

As seniors and heads of department attempt to balance their focus on developing their teams and growing the business, it is important that others actively contribute to support their colleagues through a structured and consistent programme. This year, a new mentoring programme was launched to identify and equip colleagues to become mentors across all departments. The programme provided these new mentors with the necessary skills, confidence, understanding and best practice concerning the support, motivation and guidance of new colleagues through the first two years of their employment with the Group.

The programme identified 29 suitable mentors and a development programme was implemented covering key topics including, but not limited to, effective mentoring, handling difficult conversations and conducting appraisals and reviews. We believe this programme will create a level of consistency within our training and mentoring programmes, help prepare mentors in the first steps of being future leaders and ensure our new employees receive the necessary support and guidance at a crucial time in their employment.

Once fully established in our UK team, we plan to implement a similar programme for our Far East team, starting next year.

LEADERSHIP SCHEMES

Leadership development is crucial to the future success of the business and, as our teams grow, the development of future leaders will be a key element in our succession planning. Our annual 'Introduction into Leadership' course continues to be a positive first step in providing talented future leaders with the foundational skills required 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 to our future female leaders. Since the year end, we were also delighted to welcome Jill Easterbrook and Christine Adshead as our first female members of the Board.

Due to its value and success, a similar initiative has been set up for future male leaders with our Managing Director acting as the chair of the group. Currently 12 male colleagues feature on this leadership group and we expect this to become an integral part of our leadership development going forward.

EMPLOYEE ENGAGEMENT SURVEY – GIVING ALL OUR PEOPLE A VOICE

We understand the importance of listening to our team and providing the opportunity for colleagues to share their views, thus enabling positive working experiences and the fostering of conditions favourable to business growth and development.

In order for the business to continually improve, the Annual Engagement Survey led by the Employee Consultation Group (ECG) provided all employees across our international business with an opportunity to share their views and raise suggestions.

This year the survey had an 83 % employee participation with contributions from all of our sites in Europe and the Far East. It is our target to increase and maintain this participation rate to 90 % in future years.

The survey provided some very encouraging feedback, affirming that the business is making good progress with its aim of attracting and retaining talented individuals. Some of the results include:

- 94 % of the workforce confirming that they "enjoy their current job";
- 86 % believe their own morale is high;
- 83 % see that they have a career with the Group;
- 84 % believe the Group offers job security; and
- 82 % would recommend UP as a great place to work.

Other comments from the survey, as well as points raised via the ECG, included the need for the business to upgrade its current head office workspace in order to offer a more innovative and modern working environment.

The Group listened to this feedback and committed to a modernisation project involving investment of £1.8 m into its Manor Mill head office site, with completion due in 2021.

DIVERSITY AND INCLUSION

We want to provide a business that has a diverse and inclusive culture, where people are accepted for their differences and are treated fairly. We therefore embrace diversity in all its forms. We believe this will improve our market competitiveness, generate positive discussion and opinion, enhance our reputation and create an inclusive and positive working environment for all employees to thrive.

Our aim is to ensure that all employees and job applicants are given equal opportunities.

GENDER REPORTING

Employees as at 31 July 2020:

	Male	Female
Main Board Members	7	0
Operating Board Members	4	2
Main Board Direct Reports	2	5
Operating Board Direct Reports	44	36
Employees	82	89
Total	**139**	**132**

Since 31 July 2020, we have appointed two new female members, Jill Easterbrook and Christine Adshead, to the Main Board and one male member, Barry Franks, has stepped down. This has altered the gender split to six men and two women.

As the above table illustrates, we are seeing men and women progress in a more balanced ratio from the Graduate Development Scheme into supervisory and management roles. In time, we expect this to lead to a more balanced gender split at senior management level and across the Main and Operating Boards.

EQUAL PAY

The Group is committed to offering fair and equal pay across its workforce and ensuring our talented colleagues are appropriately rewarded for their contribution to the business's success. In order to ensure there are no forms of discrimination within the remuneration structures offered, we strive to reward people based on their capabilities, commitment, efforts and contribution.

Over recent years the introduction of the Graduate Development Scheme, UP Academy and structured pay grades within our Warehouse operation has helped ensure consistency, irrespective of age or gender, of remuneration for those colleagues who are working in these areas of our business. This includes a commitment to offering a minimum hourly rate of £9 per hour across all our temporary and permanent positions within our warehouse teams.

As such, this has created a fair and consistent approach across all our UK entry-level positions, with the only differences in pay within these positions caused by differing stages of progression on the Graduate Development Scheme.

Although the Group is not required at present to report on gender pay, we have nonetheless decided to report voluntarily and have set out below our median hourly rates by gender. The gender pay gap on this measure is currently 4.3 % in favour of our male colleagues, which is low compared to wider comparatives. However, this is a figure that is always changing and it is not unusual to see gender pay gap favour our female colleagues. This is caused by the mix of male and female colleagues progressing through the different stages of the graduate scheme's salary bandings at the point of the snapshot date.

	Male	Female
Median Hourly Rate	£11.54	£11.06
Difference		**£0.48**

** analysis based on 31 July 2020 snapshot of base salaries only*

2. WE CARE ABOUT OUR COMMUNITY

This year the business has increased its efforts to support, engage with and positively contribute to the local communities within which it operates. A Community Engagement team comprised of 22 committed employees was formed, thus creating a wider pool of resource available to engage with a much bigger network of groups within the community and continue the excellent progress already made. This wider group enabled us to provide a much greater level of support to our causes within the four areas we focus our efforts.

INSPIRING FUTURE GENERATIONS

We believe it is essential to provide greater information to the children in our community on the future prospects available to them. Whether through offering advice on job roles, interview skills or other advice on the various career paths that are available within their community, we want to inspire young people to achieve great things in the future.

Mahdlo *Business Breakfast Talk*

In January, our CEO, Simon Showman, and Non-Executive Director, Barry Franks, took part in a breakfast talk attended by local business leaders and over 150 schoolchildren at Mahdlo, a local youth zone. Simon outlined how the Group was formed and the challenges he has faced during his career whilst taking questions and offering further advice. The event was a huge success and kick-started a new relationship with Mahdlo, enabling future opportunities to engage with children of all ages.

Two local schools, Burnley Brow School and Radclyffe School, visited our UK head office to learn about the business and discover how global companies operate. These visits also provided an insight into the many and varied future career opportunities the children have at a global organisation like ours, which sits at the heart of their community.

Radclyffe School *Head Office Visit*

The Group also actively participated in Oldham's 'World of Work' month, which involved sharing insights with students at North Chadderton High School and Oldham University on interview techniques and the key skills that businesses look for during recruitment processes.

Oldham University *World of Work*

Over the coming years, links with all key schools across the community will be cultivated, with members of the community engagement team acting as representatives to continue attending and arranging events for the children and students in our community.

SUPPORTING LOCAL CHARITIES AND INITIATIVES

Before the COVID-19 pandemic, the Group had continued to support charitable organisations that were integral to the local community, many of which had been specifically suggested by our employees as important causes to be involved with.

The UK team collaborated with Maggie's, a charity that provides free cancer support and information to affected individuals and families of all ages from its centre based in the heart of Oldham. Fundraising this year included multiple internal and external events such as charity football and netball matches, as well as bake off competitions arranged by our UK Charity Committee. The team successfully raised £6,843, which was used towards paying Maggie's operating costs.

UPGS UK *Maggie's Charity Evening*

This year our China team and Guangzhou Charity Committee commenced their own fundraising events and selected a local children's charity as their key initiative to support. They, too, were able to raise important funds to support the charity through many employee social events.

UPGS CHINA Children's *Charity Event*

SUPPORTING LOCAL BUSINESSES AND INITIATIVES

Our aim is to support the economy of our local communities by using local businesses as supply chain partners and offering financial or other support to those organisations who are also trying to do the same.

COMMUNITY ENGAGEMENT TEAM *Great Sample Giveaway*

In January 2020, the Community Engagement team arranged an event at our Manor Mill head office site called the 'Great Sample Giveaway' where the Group provided thousands of our household products to hundreds of local businesses and organisations to aid their operations. Some of the goods were used by local housing organisations to "set up" new housing for vulnerable families whereas other products were used to replenish much needed items at local hospital children's wards. The event was a huge success and will become a stable aspect of the calendar in the coming years.

Warriors Boxing Academy is a local Chadderton sports group with clear ambitions to support and develop local children through a shared passion of boxing. The academy believes the principles of this sport - good health and well-being discipline and teamwork - are key aspects for local children to follow as part of preparation in life. This year the Group sponsored the sports group enabling them to purchase brand new branded clothing and equipment to be used by various age groups each week.

LOCAL BUSINESSES AND INITIATIVES *Warriors Boxing Academy*

SUPPORTING AND PROMOTING OUR HERITAGE

With the Group operating from two prominent historical buildings in Heron and Manor Mill, we have embraced the importance of celebrating and preserving the heritage within our local community. We are proud of the investment made to utilise and convert our historical buildings for modern purposes, ensuring they continue to exist in a usable condition. We are currently in the process of renewing the roof and the windows at Manor Mill, a Grade 2 listed building. This investment will have the effect of future-proofing the envelope of this historic building for the foreseeable future. This contrasts with some of the other mills in the area, which have been allowed to fall into disrepair, becoming eyesores and raising safety issues for the local community.

We are also committed to support similar initiatives within our community that are aiming to do the same. Before lockdown, the business sponsored a series of local fundraising events aimed at raising awareness and much-needed funds to refurbish another local historical building called Foxdenton Hall. The hall will be converted into a tourist centre, function room and café, all for use of the local community.

3. WE CARE ABOUT THE ENVIRONMENT

We recognise that the environment and its natural resource are incredibly precious. We take our responsibilities in this regard very seriously and are constantly looking for opportunities to reduce the effects of climate change and actively promote the protection of our environment.

Over the past few years, our primary focus has been on managing and reducing the environmental impacts caused by our sites through the implementation of effective changes to reduce our emissions and manage waste controls. Changes have included the installation of LED and low-energy lighting systems throughout our sites and the introduction of new procedures reducing heat loss and effective recycling.

As part of our compliance with the Energy Saving Opportunities Scheme (ESOS), our two UK sites underwent a comprehensive energy survey to assess their impact in terms of natural energy consumption and carbon footprint. The survey results provided each site with a DEC rating of Category B, which is significantly better than the expected given the historical buildings we operate from. We believe that the positive steps taken so far have produced this excellent rating and, through further action and suggestions from our newly formed Environmental Committee, we are committed to achieving a Category A rating by 2025.

THE ENVIRONMENTAL COMMITTEE

The Environmental Committee, represented by passionate employees across the Group, have already started to develop an action plan on wider steps that can be taken to reduce the business's effects on climate change. These commitments include:

- Developing a much broader Environmental policy that will be signed off by the Board in 2020 and featured on our corporate website;
- Achieving ISO 14001 accreditation by the end of 2021. This certification will provide a framework against which we can develop comprehensive environmental procedures and monitoring systems;
- Reducing the use of single item plastics within the Group by 85 % by 2022;
- Developing a shared commitment scheme with our customers and supply chain partners that will align our efforts to reduce environmental impacts. We are already working with Primark on their scheme;
- Exploring new initiatives for our sites. This may include the installation of solar panels and more modern window frames, new ventilation systems and additional waste management initiatives to help further reduce our carbon footprint; and
- Exploring new initiatives to reduce our product packaging and identifying better methods of packaging use with our suppliers

The Environmental Committee will continually aim to research and present new ideas to the Board on how the Group can further affect the environment in a positive way.

SECR AND CARBON EMISSIONS REPORTING

The greenhouse gas (GHG) statement below provides a summary of Ultimate Products' greenhouse gas (carbon) emissions each year from 1 August 2016 to 31 July 2020. It gives a summary of emissions from fuel combustion and the operation of our facilities, which includes our offices, Fleet & Grey Fleet (Scope 1) and our purchased electricity used during the year (Scope 2).

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

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

Although the localised COVID-19 lockdowns have led to a reduction in fuel costs and travel, the sites have continued to be open and operate throughout the reporting period. Indeed, the main warehouse facility at Heron Mill has recently increased its operating hours in order to meet fulfilment demands. It has therefore been an achievement to maintain a reduction in our CO_2 impact of this site during the reporting period. As such, we believe the steps introduced by us have contributed to the ongoing and marked reduction in electricity usage.

YEARS		2017		2018		2019*		2020	
		tCO_2e	tCO_2e/ FTEE	tCO_2e	tCO_2e/ FTEE	tCO_2e	tCO_2e/ FTEE	tCO_2e	tCO_2e/ FTEE
Scope 1	**Total** **UK %**	249.20 100 %	1.12	432.27 100 %	1.86	288.28 100 %	1.09	**266.16** **100 %**	**0.92**
Scope 2	**Total** **UK %**	288.88 78.7 %	1.30	279.37 80.1 %	1.20	330.87 70.5 %	1.25	**303.55** **75.5 %**	**1.05**
Statutory total (Scope 1 and 2)		538.08	2.42	711.65	3.06	619.15	2.34	**569.71**	**1.97**
Statutory total in KWh (Scope 1 & 2)		1,453,947		2,744,569		2,156,876		**2,068,872**	
Full-time equivalent employee (FTEE)		222.4**		232.4**		264.6**		**288.8****	

* The 2019 figures recorded in the previous annual report were inaccurate due to a clerical error. These have now been checked and reset.
** FTEE has been switched from a snapshot date to an average headcount to better reflect the results for the reporting period.

ASSESSMENT PARAMETERS

	Offices
Baseline year	2017
Consolidation approach	Operational control
Boundary summary	All facilities under operational control were included
Consistency with the Financial Statements	The use of the operational control approach causes a variation to our Financial Statements. Third party locations utilised in our operations were not under our operational control and are therefore not included in our emissions table. However, approximately 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).

4. WE STRIVE TO DO THE RIGHT THING

We have high expectations of ourselves and our partners to apply the right action and make the right decisions at the right time in order to do the right thing whenever circumstances require it.

We have developed robust, responsible policies and practices that guide what we do and how we work with others. The policies, statements and guidelines we rely upon include, but are not limited to, the following:

- Anti-bribery and Corruption Policy;
- Data Protection and GDPR Policy;
- Equality Policy;
- Environmental Policy;
- Whistle-blowing Policy;
- Health and Safety Policy;
- Modern Slavery Statement; and
- Quality Policy.

The Group's policies have been developed to ensure that the business adheres to high legal practices, as well as to maintain standards of professionalism and integrity for all employees worldwide. Our employees receive ongoing and regular training on these key policies to ensure awareness and engagement remains current.

The independently monitored whistle-blowing hotline provides opportunity for employees, customers, suppliers or other stakeholders to confidentially raise any concerns so that they can be thoroughly investigated.

The Group has received no reports this year relating to concerns via its Whistle-blowing hotline.

THE MODERN SLAVERY COMMITTEE

The Modern Slavery Committee, comprised of key employees across the Group, audits the business on an annual basis in order to ensure compliance with the Modern Slavery Act. The audit includes the reviewing of our internal and external people procedures and the continual monitoring of the actions of our wider supply chain partners. Any risks identified result in immediate remedial action.

In doing so, the business is committed to providing fair and compliant employment terms to all its workers and delivering excellent working conditions for our teams to prosper.

ETHICS

Ethical audit codes of conduct were created back in the late 1990s after the media exposed the exploitation of people in the manufacturing of clothes, shoes and other products for global brands and retailers. Although conducting ethical audits on manufacturing sites is not a legal requirement, it is often a contractual requirement from retailers or those responsible for production sites.

In 1998, a group of UK companies, trade unions and NGOs created the Ethical Trading Initiative (ETI) base code to protect workers' rights within the supply chain in a credible manner. The amfori BSCI (Business Social Compliance Initiative) followed in 2003 evolving from the Foreign Trade Association. These are both internationally recognised codes of conduct used to assess manufacturing sites in a consistent and structured format. Their focus is on key principles whilst ensuring workers' rights are protected and addressing the social and environmental responsibilities.

Each audit is carried out by a recognised third party audit house such as Bureau Veritas, SGS and Verisio, and is completed in accordance with industry standard codes of conduct. Depending on the audit type and the result of the previous audit, these are typically renewed every 12 months. The audit can then be stored on the respective sharing platform used to allow visibility and manage the corrective action plans.

ETI Base Code – this can be completed in a format known as a SMETA (Sedex Members Ethical Trade Audit) and uploaded to the sharing platform SEDEX. This allows members to share site visits with designated members and create links to sites with over 60,000 members in 180 countries.

Amfori BSCI Code of Conduct – any BSCI audit carried out requires membership of amfori BSCI in order to allow sharing of audit reports and results, allowing visibility to those connected with the over 2,400 members spanning 46 countries.

OUR ETHICAL AUDIT APPROACH

At Ultimate Products, we started our Ethical program back in 2009. This was our own independent initiative that was not the result of a retailer requirement.

We are members of both SEDEX and amfori BSCI and use all the various third parties to carry out our audits. At any time, we have approximately 90 % of 'live' suppliers audited, whilst all 'live' suppliers are subject to a minimum 12-month renewal. Many of the audits are unannounced.

We employ an Ethical & Social Compliance Officer based in Guangzhou, China, who also carries out regular visits. In addition, our Sourcing Team is required to visit any factory before the first order is placed. As part of this visit, the factory is required to sign up to adherence to both the ETI base code and the Modern Slavery Act.

HEALTH AND SAFETY

The health, safety and well-being of our workers, customers and visitors is essential to everything we do.

The Board regularly reviews all health and safety matters to ensure compliance with Group policy and local statutory health and safety regulations. External competent assessors complete regular health and safety inspections on our sites and internal responsibilities have been defined within the Group to manage all ongoing health and safety matters. Ongoing health and safety concerns and risk exposures are documented within monthly board packs and, where appropriate, are escalated to the Audit and Risk Committee.

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.

POST COVID-19 LOCKDOWN

COVID-19 IMPACT

The COVID-19 pandemic has created an unprecedented set of circumstances that all businesses have had to respond and react to by ensuring Government regulation is adhered to and adapting guidance to suit operational needs. This has been an extremely challenging period for the business and its workers but has also highlighted the fantastic character of our team and the Group's ability to adapt to whatever challenges it might face.

MANAGING COVID-19 RISKS DURING LOCKDOWN

From the onset of the Coronavirus pandemic, our key priorities have been the safety of our colleagues and supporting others in our local communities whom are struggling or in significant need.

In line with government guidelines, we have been able to safely keep our global sites open by implementing robust and effective COVID-19 safety measures that put employee safety at the top of the list. In most cases, the measures applied have gone beyond government recommendations and included:

- Compiling a comprehensive health risk assessment of our global workforce that was used to make decisions around worker safety and access to our sites;
- Introducing reduced capacity levels in our sites and limiting the number of employees and visitors;
- Temperature check and handwash stations situated at the main entrances with workers and visitors having to use these stations on every occasion before accessing the buildings;
- Social distancing measures throughout our offices and warehouses with a particular focus on walkways and communal areas;
- COVID-19 specific inductions and training of colleagues to help support and implement these changes to their work environment;
- Regular well-being calls completed by the HR team for workers who were required to work from home. We felt it important to maintain regular contact with our workforce and ensure their needs were being constantly checked;
- Implementing an internal COVID-19 anti-body testing facility for our UK workforce that was managed by our Biochemistry graduates;
- Ongoing stocks of hand sanitiser, antibacterial wipes, face masks and other equipment available for use for all employees;
- Additional cleaning measures in place to ensure work stations and areas are repeatedly cleaned and stock levels replenished; and
- The wearing of face coverings for certain risk factors including areas within the warehouses and in the office.

These robust and effective procedures ensured that the business did not record a single COVID-19 positive test between 25 March and 31 July 2020 for people working on our sites.

COVID-19 POSITIVE CASES SINCE UK LOCKDOWN COMMENCED TO 31 JULY 2020

Area	Number of Confirmed Cases
Employees who have contracted COVID-19 from being on site	0
Employees who have contracted COVID-19 via their personal life	3
Overseas offices	0
Total	3

SUPPORTING OUR COMMUNITY DURING COVID-19 LOCKDOWN

From the onset of the UK lockdown, the Group was actively seeking local community initiatives that required our support. Our goal was to support the most vulnerable and ensure that we could make an immediate positive difference to their lives. To achieve this, we developed a clear approach:

1. Utilise our Supply Chain to help donate household essentials;
2. Donate our own products and offer additional resources through our people; and
3. Provide funding or other donations via a fund created from the Board Directors temporarily sacrificing their pay

In the early stages of the lockdown, the Group focussed its initial efforts on supporting local hospital wards, front line key workers and a volunteer-led organisation called Action Together.

CAMBRIDGE *Bamboo Sippy Mugs*
Unique hand-drawn prints designed in-house

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUPPORTING THE NHS AND FRONT LINE WORKERS

During the most difficult period of the lockdown, the nation's key workers and front line staff demonstrated an extremely high level of dedication and resilience to keep the country operating and our friends and families safe. We all owe a great deal to these individuals and we felt it necessary to recognise and support our localised key workers.

Our support covered the local hospitals; in particular, Royal Oldham hospital maternity ward, Tameside hospital, Liverpool hospital and the NHS University Foundation Trust, where we donated over 5,000 facemasks, 600 mobile device power chargers (known as power sources) and over 10,000 sippy mugs.

Supporting the NHS *Donation*

Action Together *Household Essentials*

ACTION TOGETHER

Action Together is an organisation that was tasked with coordinating the localised food banks for the most vulnerable families within the Oldham area. Families included those on very low income, the homeless, those with special needs and others who were still recovering from contracting COVID-19, having been recently discharged from hospital. In addition, the organisation is also responsible for financially supporting local charities and other smaller organisations through the issuing of micro-grants to inject necessary funds and give charities every chance of continuing their operations during the lockdown period. To do this, they require constant fundraising to generate the funds that make up these grants.

DONATING HOUSEHOLD ESSENTIALS

We were able to immediately support Action Together by reacting very quickly to requests for much needed household essentials and utilising our supply chain to provide immediate solutions in sectors they were struggling to source themselves. These essentials were delivered to local food banks and included items such as cleaning products, toilet rolls, toiletries, baby wipes and baby formula. During these early stages of lockdown, we donated over £4,000 of household essentials that were immediately given to the most vulnerable households in the Oldham area. We also facilitated new business agreements with our key suppliers and Action Together to ensure they had an ongoing supply of these essentials at reduced prices moving forward.

UPGS Donations *Household Essentials*

STARTER PACKS

As the challenges in lockdown began to evolve, we became aware via Action Together of a number of young people who were being re-homed but had no ability to set up their new accommodation with basic essentials.

UPGS Donations *Starter Packs*

To resolve this, we introduced a starter pack compromising a number of household items donated from our stock. The pack included essential laundry, housewares, kitchen items and kitchen appliances at a retail value of around £200 per pack. These were taken from stock and delivered directly to each new household. Overall, we donated 30 starter packs to various vulnerable people across the Oldham area.

£10,000 DONATION TO MICRO GRANTS

As the support relationship with Action Together evolved, we became aware that their standard fundraising plans had been severely disrupted by the lockdown, to the extent that they were running out of funds to issue as micro grants. This would have a knock-on effect as small charities would not be able to continue to operate and the wider support across the Oldham borough would be negatively impacted.

As such, the Group donated £10,000 to Action Together to their micro grants initiative in order to enable these funds to support 11 different local charities with operational challenges. The funds were used by charities to fund the upkeep of delivery vehicles, the purchasing of food for those self-isolating, sports packs for young children to keep them active and the maintenance of various helplines for those struggling at home.

POSITIVE STEPS

Positive Steps is a charitable organisation that delivers a range of targeted and integrated services for young people, adults and families across our local community. Their many services include family support, one-to-one young care support, careers, and job support opportunities to those who need it.

During the lockdown, Positive Steps became an integral support mechanism for the most vulnerable young people in our community who were unable to attend schools, groups or meet with their carers, causing heightened concerns around general well-being mental health, access to support and ongoing education. Like many across the nation, there were thousands of young children who were isolated from their normal support group and required new approaches to keep them well connected with their peers and carers.

Immediately we were able to offer Positive Steps donations of toys and sports activity packs to keep vulnerable children engaged and active whilst at home.

UPGS Donations *Toy Donations*

As our relationship with Positive Steps expanded, we were informed of challenges that one-to-one support carers were having in keeping connected with their children as a result of the full lockdown preventing face-to-face contact and a lack of available resources for an alternative solution.

UPGS Donations *Tablet Donations*

SECTION 172 STATEMENT

To resolve this, the Group donated 100 mobile tablets to children across the Oldham area enabling them to remain connected with their carers and friends through virtual meetings, to receive and complete schoolwork and remain mentally active.

In addition, we have established the UP Small Grants Fund to support, through Positive Steps, disadvantaged young people as they transition into work, training or further education. This is in the form of small grants of up to £250 with needs as varied as uniforms, interview clothes, course fees, course equipment and bus passes. This has been funded to date by salary waivers made by the Directors.

Burnley Brow School *Head Office Visit*

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH SECTION 172(1) COMPANIES ACT 2006

The Board consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its stakeholders as a whole (having regard to the stakeholders and matters set out in section 172(1) (a-f) of the Act) in the decisions taken during the year ended 31 July 2020.

Further information and examples of how the Group engages with key stakeholders can be found below and throughout this report, in particular, in the Environmental, Social and Governance Report on pages 30 to 45 and the Shareholder Engagement section on pages 59.

STAKEHOLDER ENGAGEMENT

Ultimate Products' stakeholders are its employees, customers, suppliers, shareholders and lenders and the Board recognises the need to regularly review and consider who its stakeholders are as it makes decisions. We encourage the development of long-term relationships with our stakeholders in accordance with our culture and values, with the ongoing desire to be a trusted, best-in-class partner to all of our stakeholders equally.

Our colleagues are fundamental to our success, our purpose and to delivering on our promises to our stakeholders. We invest in our people. The Environmental, Social and Governance Report on pages 30 to 45 sets out how we develop, involve and engage with our colleagues and have regard to their interests through the various development programmes, the committees, the Employee Consultation Group and Annual Engagement Survey.

SECTION 172 STATEMENT

We understand our customers' needs, markets and their customers, carrying out in-depth research and conducting store visits to support our understanding, so that we can present the products that best exceed their expectations. We engage with our customers in many ways but we prefer above all to meet, in person or virtually, at one of our showrooms in Oldham, Cologne or Guangzhou where we can showcase our wide range of products and help them visualise how they may be presented in store. We monitor product ratings and feedback so that we can further improve products or, for example, produce videos and "how to" guides, helping consumers get the most out of their purchases.

Doing the right thing is at our core. We ensure that we source products in a responsible manner and require our suppliers to commit to our ethical trading policies which are commented on further in the Environmental, Social and Governance Report on pages 30 to 45. With international travel severely impacted by the pandemic, having a team of local sourcing, ethics and quality colleagues in China has allowed us to continue to have regular engagement with our suppliers at their factories. We have high expectations on our suppliers but we recognise our responsibilities and commit to prompt payment according to agreed terms.

The Board has regular meetings and engagement with our institutional and private investors (see the Shareholder Engagement section of the Corporate Governance Report on page 59), as well as with analysts and lenders in order to explain the Company's strategy, progress and plans, and to share how we are addressing any market challenges.

We care about the community and we care about the environment. The Environmental, Social and Governance Report on pages 30 to 45 sets out how the business has increased its efforts to engage with and support the local community, along with the increased focus on the environment through the Environmental Committee established in the year.

The Financial review on pages 15 to 21 explains the steps and considerations of the Board before coming to the conclusion to do the right thing and repay the tax payment support and furlough monies initially claimed from the UK government and taxpayer. Having taken that step, and with the support of a strong financial position, as explained, this was followed by the Board being comfortable with the fair and equitable step to re-introduce its previously stated dividend policy.

Doing the right thing, as one of our core values, sets the tone for how the Board acts, not only with respect to our stakeholders but in all its business interactions.

The Strategic Report on pages 4 to 46 was approved by the Board of Directors on 2 November 2020.

Simon Showman
Chief Executive Officer

Graham Screawn
Chief Financial Officer

2 November 2020

Corporate Governance

GILES AND POSNER *Frozen Dessert Maker*
Delicious and healthy soft-serve desserts at home

ULTIMATE PRODUCTS

Board of Directors

The board of directors has overall responsibility for the Group. Its aim is to represent all stakeholders and to provide leadership and control in order to promote the successful growth and development of the business.

INDEPENDENT NON-EXECUTIVE CHAIRMAN
James McCarthy *(64)*

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

Committee Membership
Nomination Committee (Chair)
Remuneration Committee

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.

CHIEF EXECUTIVE OFFICER
Simon Showman *(47)*

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 Gossage *(49)*

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

Term of Office

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

CHIEF FINANCIAL OFFICER
Graham Screawn *(53)*

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.

THE BOARD OF DIRECTORS CONT'D

Senior Independent Non-Executive Director
Alan Rigby *(64)*

Committee Membership
Remuneration Committee (Chair)
Audit and Risk Committee
Nomination Committee

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.

Independent Non-Executive Director
Robbie Bell *(47)*

Committee Membership
Audit and Risk Committee (Chair)
Remuneration Committee
Nomination Committee

Robbie is Chief Financial Officer of Holland & Barrett, Europe's largest health and wellness retailer. He was formerly CFO of convenience retailer McColl's Retail Group, prior to which he was Chief Executive Officer of motorway services operator Welcome Break Group, where he oversaw its takeover by Applegreen in 2018. From 2009 to 2017 he was CFO of building materials retailer Screwfix Direct Limited.

Term of Office

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

Independent Non-Executive Director
Jill Easterbrook *(49)*

Committee Membership
Remuneration Committee
Nomination Committee

Jill Easterbrook was previously the CEO of Boden, the fashion retailer, having formerly worked at Tesco plc for 15 years in a variety of senior roles including Group Business Transformation Director, Chief Customer Officer, Managing Director of UK and ROI Clothing, and Group Strategy Director. Jill started her career in merchandising for Marks & Spencer Group plc, and also worked for four years as a Management Consultant for Cap Gemini Ernst & Young. Jill is a Non-Executive Director of two FTSE 100 companies - Auto Trader Group plc, UK's largest automotive marketplace, and Ashtead Group plc, the international equipment rental company.

Term of Office

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

Independent Non-Executive Director
Christine Adshead *(56)*

Committee Membership
Audit and Risk Committee
Nomination Committee

Christine Adshead is a former Partner at PwC, where she spent nearly 20 years providing transaction advisory services across a range of corporate activities and a variety of sectors, including retail and consumer goods. She was PwC's London region private equity leader, as well as being a national leader for mid-tier private equity. Christine was also an elected member of the PwC Supervisory Board, the governance body for PwC in the UK which represents the interests of over 900 Partners and is responsible for providing constructive challenge to PwC's UK Executive Board. Christine is a Non-Executive Board Member of Hill Dickinson LLP, an international commercial law firm headquartered in Liverpool.

Term of Office

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

President (non-statutory director role)
Barry Franks *(74)*

Barry Franks served as a Non-Executive Director of Ultimate Products for fifteen years, stepping down from the Board in September 2020. Barry remains with the business as President in recognition of his outstanding and continuing contribution to Ultimate Products since its inception in 1997. He 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

After being a Director of Ultimate Products since 1997, Barry was appointed as Non-Executive Director of the Company on its formation in 2005. On 18 September 2020, he stepped down from the Board and was then appointed as President.

CHAIRMAN'S INTRODUCTION

I am pleased to present this year's Corporate Governance Report which describes our approach to governance and sets out how the principles of the new 2018 UK Corporate Governance Code (the 'Code') have been applied during the year. Information about the operation of the Board and its committees, and an overview of the Company's system of internal controls are also included.

We recently announced changes to our Board with the addition of Jill Easterbrook and Christine Adshead to the Board as new independent Non-Executive Directors. Jill and Christine bring tremendous skill sets and extensive experience which will be invaluable to supporting the success of the Company. Their appointment will also further strengthen the corporate governance 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.

We also announced that Barry Franks, the Company's co-founder and a Non-Executive Director, retired from the Board but he will remain in the business as President in recognition of his outstanding and continuing contribution to Ultimate Products. Barry's role and impact on the success of the business cannot be overstated, from first recognising the talent and entrepreneurial spirit of Simon Showman, joining him as co-founder and mentor in 1997, to his financial backing of the buy-out of LDC's investment in 2014. We are delighted that the Company will continue to benefit from his expertise in his new role as President.

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 with further details of the Board's composition given on pages 48 to 51 – *Board of Directors*.

James McCarthy
Chairman

2 November 2020

COMPLIANCE WITH THE CODE

The Board is committed to maintaining an embedded culture of good and effective governance, to support the sustainable success of the business for the benefit of its members as a whole.

This was the first time the new Code applied to the Company. The Company is committed to applying the principles of corporate governance contained in the Code and to comply with the provisions therein. Each of the provisions of the Code has been reviewed and, where necessary, steps have been taken to ensure that the Company is in compliance with all of those provisions as at the date of this report.

The directors consider that the Company has complied throughout the year ended 31 July 2020 with the provisions of the Code, except as set out below.

- The composition of the Board did not comply with provision 11 of the Code at all times during the year to 31 July 2020 due to the fact that, less than half of the Board, excluding the chairman, comprised independent non-executive directors. During this period, the Board comprised three executive directors, the non-executive Chairman, two independent non-executive directors and one non-independent non-executive director. As noted in the introduction above, retirements from and appointments to the Board were concluded on 18 and 21 September respectively such that the composition of the Board then became three executive directors, the non-executive Chairman and four independent non-executive directors, at which point it was fully compliant with the provision. The Board considers that, despite this non-compliance during the period to 21 September 2020, the Board had an appropriate balance of skills, knowledge and experience to enable it to discharge its duties and responsibilities effectively. No concerns regarding bias towards the Board's non-independent majority were raised as part of the Board performance evaluation carried out during the year.

- In making the new non-executive director appointments referred to above, the Board did not use open advertising or an external search consultancy and, therefore, did not comply with the recommended approach of provision 20 of the Code. The board used their wide network of professional contacts including their nominated advisors over an extended period to draw up a long list of suitable candidates. The process for the appointments was led by the independent members of the Nomination Committee based on merit and objective criteria, taking into account the skills, experience, personal strengths, knowledge and capacity of the candidates. The Board considers that the process adopted was effective, balanced and independent such that the appointments made will successfully enhance the skills, knowledge and experience of the Board as a whole.

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

THE BOARD

Following the recent appointments referred to above, the Board now has 8 members, comprising of three Executive Directors, a Non-Executive Chairman and four independent Non-Executive Directors. The Board reflects a good balance of skills and a diversity of expertise from operational, financial, sector-specific and general business backgrounds as described in the Directors' biographies set out on pages 48 to 51. The Board is committed to ensuring that it continues to have an appropriate balance of skills, experience and knowledge of the Group and its sector to enable it to discharge its duties and responsibilities effectively.

The Executive Directors work solely for the Company and the Board considers that any other directorships held do not interfere with their responsibilities to the Company. Executive Directors, Simon Showman and Andrew Gossage, along with former 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 leases its offices, showroom and secondary distribution facility at Manor Mill from Berbar Properties Limited, of which former 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 48 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 each of Alan Rigby, Robbie Bell, Jill Easterbrook and Christine Adshead to be independent for the purposes of the Code and free to exercise independent judgement. The Board considers that, at the time of his appointment, the Chairman was independent for the purposes of the Code.

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

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

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

ROLE OF THE BOARD

The Board is collectively responsible to the Group's shareholders for the long-term success of the Group, determines the strategic direction of the Group and reviews operating, financial and risk performance. The Board is required to maintain strong governance processes and oversight to help drive the culture of the business so that it can deliver on its responsibility to its wider stakeholders.

There is a formal schedule of matters reserved for the Board which have been reviewed, considered and updated during the year and such matters include the approval of the Group's annual business plan, the Group's strategy, acquisitions, capital expenditure projects above certain thresholds, Financial Statements, the Company's dividend policy, changes to the capital and structure, borrowing powers, appointments to the Board, legal actions brought by or against the Group above certain thresholds, and the scope of delegations to Board committees, subsidiary boards and the management committee.

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. The Board aims to meet with the Operating Board once each year to formally consider the strategic direction of the Group. The scheduled 2020 meeting was deferred due to the restrictions from the COVID-19 pandemic and has currently been re-organised for later this year.

EVALUATION OF BOARD PERFORMANCE

In line with the Code, a formal and rigorous performance appraisal of the Board, its Committees, the Directors and the Chairman is conducted annually as we recognise that our effectiveness is critical to the Group's continued long-term success. The Company's Articles require that every three years the Board's performance is externally facilitated with 2020 being the first requirement for an external review. In a process led by the Chairman, the Nomination Committee appointed New Street Consulting Group Limited ('NSCG') to carry out a review of the effectiveness of the Board and its principal committees. NSCG is an independent adviser with no other connection to the Company or any of the individual directors. The evaluation was conducted with each Board member (which does include the Company Secretary) and it comprised the completion of a written questionnaire followed up with individual interviews after evaluation of the submitted questionnaires. NSCG agreed the questionnaire with the Chairman and the Company Secretary, covering such themes as how the Board works, strategy and risks, composition, succession planning, contribution of the Non-Executive Directors, bias and managing governance and oversight along with the performance of the Board's committees. NSCG provided a written report based on the responses to the survey and the interview discussions and this was recently presented to the Chairman and the Company Secretary. Overall, the review found that the Board and its committees were functioning well and are cohesive, with the Non-Executive Directors providing added-value input and appropriate challenge to the executive. The full report has been shared with the Board and will be presented by NSCG to the Board for further discussion and appropriate action planning to further improve the performance of the Board in the near future. Given the results of the review and the recent appointments to the Board and its committees, the Chairman expects no further changes to the composition of the Board or its committees.

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.

Following the above formal and rigorous evaluation of performance, having had due regard to any respective conflicts of interest, the Nomination Committee recommended to the Board that, conditional upon shareholder approval at the 2020 Annual General Meeting, scheduled to be held on 11 December 2020, James McCarthy was reappointed as Chairman and Alan Rigby and Robbie Bell were reappointed as the Senior Independent Non-Executive Director and Non-Executive Director respectively for a further period of three years commencing on the date of such shareholder approval. The Board approved each conditional reappointment on 2 November 2020.

TRAINING AND DEVELOPMENT

With two recent appointments to the Board, on appointment to the Board, the new Directors commenced a tailored induction to introduce them to the Company's business, operations and governance arrangements. This will include 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. Each Board meeting and Committee meeting agenda includes conflicts of interest to ensure that any potential conflicts are identified and handled accordingly, in advance of any discussion on the identified matter.

On 21 January 2020, UP Global Sourcing UK Limited entered into a new ten year lease for its offices, showroom and distribution facilities at Manor Mill maintained at the current rent of £180,000 per annum. Barry Franks had disclosed an interest in the transaction and, therefore, excluded himself from all discussions and decisions thereon. Having considered a third-party surveyor's report and internal briefing paper, the Directors approved that UP Global Sourcing UK Limited enter into the lease.

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 updated to be aligned to the 2018 Corporate Governance Code last year and have been reviewed again this year in accordance with the Board's commitment to do so 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, presenting a fair, balanced and understandable assessment of the Company's position and prospects and the processes for compliance with laws, regulations and ethical codes of practice. The Audit and Risk Committee is chaired by Robbie Bell with other members being Alan Rigby and Christine Adshead, the latter following her recent appointment to the Board.

The report of the Audit and Risk Committee is included on pages 60 to 65.

NOMINATION COMMITTEE

The Nomination Committee leads the process for making appointments to the Board and ensures that there is a formal, rigorous and transparent procedure for the appointment of new directors to the Board. The remit of the Nomination Committee also includes reviewing the composition of the Board through a full evaluation of the skills, knowledge and experience of directors and ensuring an effective succession plan is maintained for appointments to the Board and senior management positions. The Nomination Committee makes recommendations to the Board on its own membership and that of its other committees. The Nomination Committee is chaired by James McCarthy and its other members are Alan Rigby, Robbie Bell and following their appointment referred to below, Jill Easterbrook and Christine Adshead. Barry Franks was a member of the Nomination Committee until he resigned from the Board on 18 September 2020 as referred to below.

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

The Nomination Committee believes and applies the concept that building a diverse and inclusive culture is integral to the success of the Company. Diversity includes aspects such as diversity of skills, perspectives, industry experience, educational and professional background, gender, ethnicity and age. 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 that recruitment and promotion of individuals throughout the Group, including those at Board and senior management level, is based on merit and objective criteria, always considering relevant skills, experience, knowledge, ability and with due regard for the benefits of diversity and inclusion. At the date of this report, female representation on the Board was 25 % compared to 0 % last year and this is in line with the Board's initial target for gender diversity. There were no changes to the Group's Operating Board and it remains that 2 of the 9 members (22 %) were female.

More information on the Company's gender profile is included in the Environmental, Social and Governance Report on page 33 where it can be seen that at 31 July 2020, 47 % of the direct reports of the Board and the Operating Board and 52 % of other employees were female.

In accordance with its Terms of Reference, the Nomination Committee led the process to consider potential independent Non-Executive Directors to strengthen the Board's collective expertise to ensure it is well-placed to meet the current and future needs of the Group. The process involved establishing a long list of suitable candidates who were assessed based on merit and objective criteria, taking into account the skills, experience, personal strengths, knowledge and capacity of the candidates with regard also to the wider benefits of diversity. Following meetings between the leading candidates and members of the Nomination Committee, further meetings were arranged with other members of the Board and the Senior Management Team. Feedback was provided to the Nomination Committee, who then recommended to the Board that both Jill Easterbrook and Christine Adshead be appointed to the Board. Both of which were approved by the Board, taking effect from 21 September 2020. The Nomination Committee has since recommended to the Board the following additions to committee membership:

- Jill Easterbrook: Remuneration Committee and Nomination Committee
- Christine Adshead: Audit and Risk Committee and Nomination Committee

As referred to in the introduction, as well as the two appointments above, Barry Franks resigned as a non-independent Non-Executive Director of the Board and member of the Nomination Committee on 18 September 2020 but remains in the business, in a non-statutory director capacity, as President.

Under the guidance of the Nomination Committee, the Group has continued to support the Senior Management Development Programme (the 'Programme'), which aims to promote the development of talent from within, along with supporting the succession planning and diversity objectives of the Board. Most colleagues on the Programme entered their second year which commenced with an update and recalibration of the identified development areas and training needs. The Programme will continue to enrich the skills, experience and development of those involved. Furthermore, during the year, a corporate succession plan for the Board, senior management and other key positions was presented to the Nomination Committee, based on merit and objective criteria and recognising the need to build a diverse and inclusive culture. The plan addressed emergency cover, long-term succession and actions points. The Nomination Committee provided feedback and recommendations on the plan which will continue to be progressed by the Executive Directors and the Nomination Committee.

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.

As referred to in the Evaluation of Board Performance section on page 54 to 55, the Nomination Committee also recommended that James McCarthy was reappointed as Chairman and Alan Rigby and Robbie Bell were reappointed as the Senior Independent Non-Executive Director and Non-Executive Director respectively for a further period of three years, subject to shareholder approval at the 2020 Annual General Meeting scheduled to be held on 11 December 2020.

REMUNERATION COMMITTEE

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

The Remuneration Committee Report is included on pages 66 to 99.

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 2020, 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	-	7	2
Simon Showman	11	-	-	-
Andrew Gossage*	12	1	1	-
Graham Screawn*	12	6	5	2
Alan Rigby	12	6	7	2
Robbie Bell	12	6	6	2
Barry Franks	9	-	-	-

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.

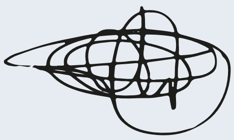
The Board is supported by a dedicated and experienced Operating Board and Senior Management Team in the delivery and execution of their objectives.

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, the Board fully appreciates the importance of private shareholders and their need for reasonable information and engagement. Therefore, the Board continues to engage Equity Development Limited to provide regular, publicly available research notes on the Group (also posted to the Group's website) along with video interviews with the Managing Director and hosting webinars to present results and trading statements. The Managing Director also presented at several events aimed at private shareholders.

The Company is considerate of the views of its major shareholders and commits to providing an accessible, professional approach and provision of timely and accurate data in its interactions with its shareholders. To ensure that the whole Board develop an understanding of the views of major shareholders about the Company, feedback is provided to the Board following shareholder contact and this understanding will continue to be developed going forward.

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



James McCarthy
Chairman

2 November 2020

AUDIT AND RISK COMMITTEE REPORT

INTRODUCTION

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

GOVERNANCE

The Audit and Risk Committee's Terms of Reference are published on the Group's website and were reviewed during the year. During the year, the Audit and Risk Committee comprised the two Independent Non-Executive Directors, Robbie Bell and Alan Rigby. The Board is satisfied that Robbie Bell has recent and relevant financial experience, as required by provision 24 of the Code and has determined that the current composition of the 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 50 and 51.

The Audit and Risk Committee has met six times during the year and two 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 59. In addition, the Audit and Risk Committee has also met with the external auditor without the Executive Directors present.

As referred to on page 54 to 58, 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 2020;
- reviewed and agreed the external auditor's audit strategy memorandum in advance of its audit for the year ended 31 July 2020, 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 2020 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 2020;
- discussed the report received from the external auditor regarding its audit in respect of the year ended 31 July 2020;
- reviewed the half-year and full-year Financial Statements;
- considered the Group's principal and emerging risks, including those arising as a result of COVID-19, together with the processes for mitigating these risks, prioritising them for wider Board review at future Board meetings and assigning appropriate actions with reference to the external environment;
- reviewed and approved the Group's viability statement, including the approach and assumptions taken, giving consideration to key risks;
- 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 effectiveness of the Group's IT Security in relation to cyber-attacks; and
- considered the impact of the adoption of the accounting standard, IFRS 16, Leases.

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 2020, 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 page 108.

SIGNIFICANT ISSUES

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

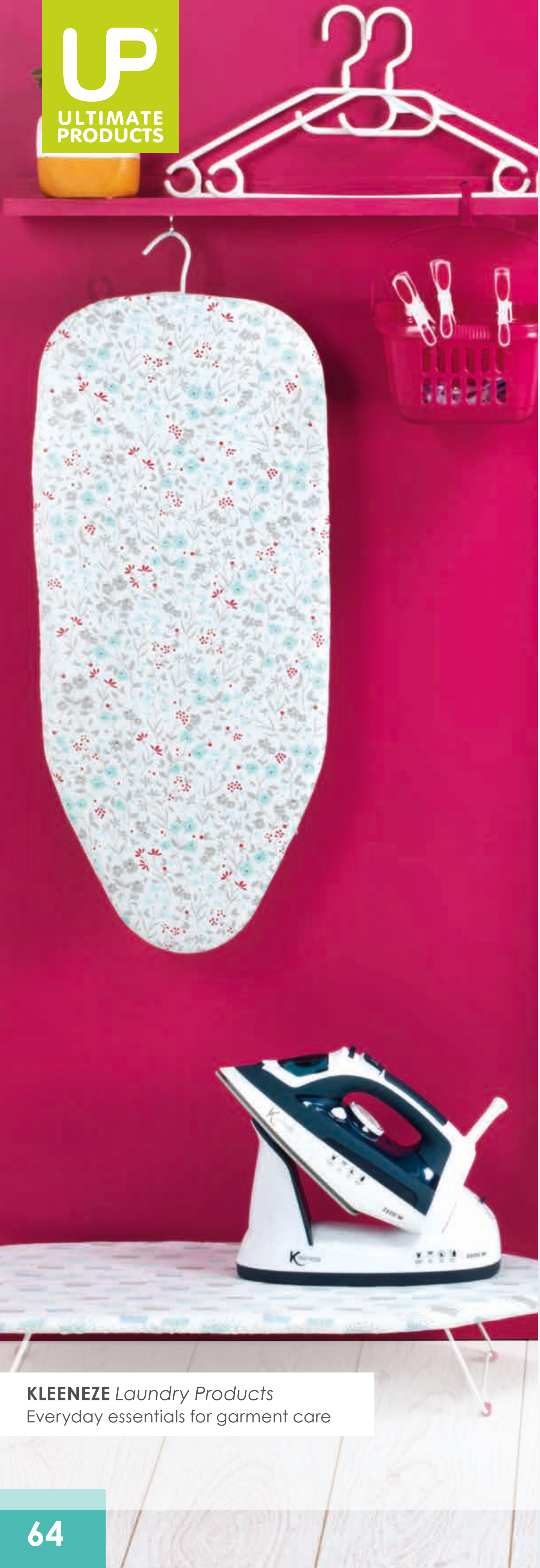
Significant issues	How the issue was addressed
Revenue recognition The Group has various revenue streams which have different recognition policies. The Audit and Risk Committee sought assurance that the Group's revenue recognition policy was appropriate and that it had been consistently applied throughout the period.	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 provision at the year end and the resultant reduction in revenue. Estimates are required as there are not always formal agreements in place and calculations can be complex, with varying criteria, such that estimation is required.	The Audit and Risk Committee has reviewed and challenged management on the approach taken to determining the level of provision required for Rebates. Having also liaised with the external auditors, the Audit and Risk Committee was satisfied with the approach taken and the level of provision included within the Financial Statements.

Significant issues	How the issue was addressed
Inventory Inventory is a significant asset on the balance sheet and contains a significant element of 'free stock' (i.e. not held specifically against customer orders or call-off demand forecasts). The stock provision is complex and requires a substantial level of estimation. In addition, estimation is applied in determining the amount of overhead to be absorbed into stock.	The Audit and Risk Committee has reviewed and considered the inventory provisioning policy, including a review of indicators of inadequate provisioning. From this review it was satisfied that the approach taken is both consistently applied and based upon system data and management's best estimates given their knowledge of the business. Overhead absorption rates are reviewed annually. Having considered reports from management on the methodology applied, and having also liaised with the external auditors, the Audit and Risk Committee was satisfied that the level of overhead absorption was appropriate.
Implementation of new accounting standard, IFRS 16, Leases As described in note 33 to the Financial Statements, IFRS 16, Leases, was adopted during the year using the full retrospective approach and comparative balances were restated.	The Audit and Risk Committee considered the impact and presentation of IFRS 16 on the Group's results and financial reporting. Having also liaised with the external auditors, the Audit and Risk Committee was satisfied that the treatment and disclosures in respect of IFRS 16 were 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 a review of the internal financial controls, including those that would threaten its business model, future performance, solvency or liquidity.

The Group maintains a register of principal risks faced by the business, as determined by discussions with Executive and Non-Executive Directors and members of the Senior Management Team. Once identified, risks are assessed by the 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 28 and the crystallisation of these risks has been considered in the Viability Statement on page 29 and the Going Concern assessment on page 20, 105, 131 and 140 to 141.



KLEENEZE *Laundry Products*
Everyday essentials for garment care

AUDIT AND RISK COMMITTEE REPORT

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

Each year, the review and assessment of the Group's internal control framework is planned and prioritised taking account of any developments during the year, the business's key risks as identified by the risk register, and through discussion with the external auditor regarding those areas presenting the most significant risk of misstatement. Accordingly, during the year, the Group's nine internal control cycles were reviewed, and key controls were identified and tested.

The Group's risk management and internal control systems have been in place throughout the financial year and up to the date of approval of the Annual Report and Financial Statements. The 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 2021.

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 2020. Audit fees payable by the Group to BDO LLP and its International network in the year ended 31 July 2020 totalled £68,000 (2019 – £62,000). 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 2020, these totalled £12,000 (2019 – £11,000) 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 2020 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.

Taking into account the review of the effectiveness, the independence and the length of tenure of the auditors, 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
2 November 2020

REMUNERATION COMMITTEE REPORT

LETTER FROM THE CHAIR OF THE REMUNERATION COMMITTEE

1. INTRODUCTION

As Chair of the Remuneration Committee and on behalf of the Board of Directors, I am very pleased to present our report on remuneration for FY 20.

The first part of this report contains our amended Remuneration Policy, which has been updated for consistency with the FRC's UK Corporate Governance Code, published in July 2018, and best practice. The policy seeks to ensure that the Group's executives remain aligned with the long-term interests of the Group's stakeholders. We appreciate the contribution of our largest shareholders in this process, with whom we have consulted on the changes, and the policy will be tabled for full shareholder approval at the AGM in December 2020.

The second part of this report describes the remuneration of directors in 2020. 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 all parties.

We have had a busy year with seven meetings for the Remuneration Committee in FY 20, with four of those seven by video or telephone conference, as has been necessary due to the ongoing COVID-19 situation. My fellow Remuneration Committee members James McCarthy and Robbie Bell have been generous with their time and I thank them for their continued valuable contributions to all remuneration matters.

2. 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. This has continued to be the case in FY 20.

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.

3. CONTEXT AND KEY REMUNERATION COMMITTEE DECISIONS ON REMUNERATION

Governance in relation to the Employee Consultation Group ('ECG') was strengthened during FY 20 with cross-business representation, and rules on the ECG's constitution and operations approved by the Board. The ECG is currently chaired by the HR Director; it has set a timetable to meet regularly and will submit its minutes along with at least two papers per year to the Board.

The UP Global Sourcing Employee Benefit Trust ('EBT') acquired 750,000 shares in February 2020 to satisfy the future vesting of awards to senior employees under the Company's Performance Share Plan ('PSP') and to all participating employees under the Company's Save As You Earn Plan ('SAYE').

As reported elsewhere in this annual report, COVID-19 has had a significant impact on the business, leading to unprecedented challenges in common with much of the global economy. COVID-19 related restrictions have meant that the Board has had the difficult job of considering headcount, job roles and the availability and suitability of UK government support schemes throughout the crisis. This has impacted remuneration policy and actions in a number of ways detailed below.

Due to the anticipated negative trading impact of COVID-19, UPGS initially utilised the UK government's Coronavirus Job Retention Scheme ('CJRS') putting 108 employees on furlough to safeguard jobs across many areas of the business. Furloughed employees were brought back into the business gradually as trading recovered and COVID-19 work safe procedures could be sufficiently maintained. Subsequently the Group felt it the appropriate action to return all £466,000 of CJRS payments to the UK government when trading performance sufficiently improved, along with bringing all PAYE and VAT payments up to date by the end of July 2020 due to its strengthened performance. In taking this decision, the Board was mindful of its obligation under the UK Corporate Governance Code 2018 to act with integrity and lead by example, meeting its responsibilities to all stakeholders.

Board directors and some senior managers voluntarily sacrificed all or part of their salaries/ fees in the period from May to June 2020 to support several local community initiatives. These well-received aid programmes have continued in FY 21.

A range of employees were re-deployed from furlough across business functions to reflect COVID-19 safe working guidelines and shifts towards growth in sales via online channels.

A small number of employees left the business during the year as job role requirements and productivity forecasts were amended. This was a difficult and painful decision for the leadership of the Group, but it was the right decision to protect the business and ensure that the Group is optimally placed to thrive in the post-COVID-19 world.

Salary reviews for both the Board of directors and employees would normally take place in June, but the review has been temporarily deferred until trading is fully stabilised.

Following a benchmarking exercise by advisors to the Remuneration Committee, RSM, and with the unanimous support of the Board, UPGS increased

RUSSELL HOBBS *Nightfall Stone*
Non-stick coated, high-quality kitchenware

James McCarthy's annual fees from £75,000 to £85,000, being the first increase to Chair fees since 2017. Whilst this was initially due to take effect on 1 March 2020, it was delayed until 1 August 2020 due to the trading effects of COVID-19.

Plans to launch a FY 20 PSP award have been suspended but will remain under consideration if trading improvement is sufficiently favourable. A second SAYE invitation to employees has also been kept under consideration with the intention to launch a scheme at the earliest appropriate opportunity. The Remuneration Committee continues to recognise that the success of Ultimate Products is down to its people and is firmly committed to helping the workforce to share in the long-term sustainable success of the business. The Committee has been encouraged by the positive response to previous PSP and SAYE invitations by the workforce as a whole, and remains of the view that participation in these plans increase alignment between employees and shareholders.

COVID-19 impacts have created challenges in setting meaningful performance targets for the incentive plans, but the Remuneration Committee looks forward to this situation changing as economic recovery resumes in the Group's primary markets.

The directors' annual bonus plan for FY 20 was set with fair but challenging performance targets. However, the threshold EBITDA target for FY 20 has not been met so annual bonuses will not be paid to directors this year. The Committee is comfortable that this outcome is appropriate in all circumstances.

A Rigby

Alan Rigby
Chair of the Remuneration Committee
2 November 2020

REMUNERATION COMMITTEE REPORT

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 purpose, values and 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.

The Company's current Remuneration Policy was approved by Shareholders at the 2017 Annual General Meeting and intended to operate for a three-year term. It is the view of the Remuneration Committee that the current Remuneration Policy has been effective in achieving the objectives stated above, and as such the proposed changes are relatively minor and are to a large extent to ensure that the Company is compliant with the Corporate Governance Code 2018, the Investment Association's revised Principles of Remuneration published in November 2019 and current best practice. Subject to shareholder approval, this Remuneration Policy will take effect from the 2020 Annual General Meeting and is intended to remain in place for three years. Once the Remuneration Policy is approved, the Group will only make remuneration payments to current or prospective Directors, or payments for loss of office if the payment is in line with the Remuneration Policy. If the 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.

INTEMPO *Smartwatch*
Track and record fitness and activity

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. In considering any increases to salary for Executive Directors, the Remuneration Committee shall carefully consider the impact of such changes on associated indirect costs including pension contributions.
Performance measures	None, although the Remuneration Committee takes into account individual performance, skills and experience when setting and reviewing salaries.

FIXED REMUNERATION: BENEFITS

Element, purpose and link to strategy	To provide market-competitive and cost-effective benefits to attract and retain suitable Executive Directors and where appropriate, assist an Executive Director in the performance of his or her duties.
Operation	The Group provides a range of benefits to its Executive Directors in line with market norms. These currently include the provision of a company car (or a car allowance), sick pay and private medical insurance for the Executive Director and his or her spouse and dependent children. Other than in respect of the Chief Executive Officer, for whom a life assurance policy with critical illness cover is provided, the Group does not currently provide life assurance or permanent health insurance to Executive Directors. However, the Remuneration Committee notes that the provision of such benefits is common at comparable companies and if the Remuneration Committee in future determines that such provision is necessary to attract or retain suitable Executive Directors, then it may elect to provide these to one or more of the Executive Directors. The Group reimburses reasonable work-related expenses to Executive Directors, such as business travel and subsistence whilst on work trips, or expenses incurred in the performance of their duties along with any tax liabilities that may arise. 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 basic salary as a contribution to their pension arrangements (or as an equivalent cash allowance). For newly appointed Executive Directors, the contribution level (or payments in lieu) will be aligned with those available to the Group's broader workforce, other than in exceptional circumstances.
Performance measures	None.

VARIABLE REMUNERATION: ANNUAL BONUS PLAN

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

Operation (cont'd)	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 100 % of base salary in the case of the Chief Executive Officer and Managing Director and 80 % of base salary in the case of any other Executive Director.
Performance measures	An annual bonus opportunity of up to: • 80 % of base salary in the case of the Chief Executive Officer and Managing Director; and • 60 % in the case of any other Executive Director, may be granted by the 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 20 % 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.

Performance measures (cont'd)	In determining whether the performance measures have been satisfied, the Remuneration Committee shall take account of the extent to which the measured outcome reflects overall corporate performance and the experience of the shareholders of the Company in terms of value creation. Where the Remuneration Committee is of the opinion that the formulaic application of any performance measure produces an outcome that is unjust to the Company, its shareholders or the Executive Director it shall be entitled, acting in its absolute discretion, to make such adjustments as it sees fit to its determination of whether (and, if relevant, to what extent) the performance measure has been satisfied, at all times having due regard to the interests of shareholders of the Company. The Remuneration Committee shall not exercise any such discretion to the material advantage of an Executive Director other than in exceptional circumstances and following consultation with key shareholders. The 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: • the Executive Director has participated in or was responsible for conduct which resulted in significant losses to a Group company; • the Executive Director has failed to meet appropriate standards of fitness and propriety; • the Remuneration Committee has reasonable evidence of fraud or material dishonesty by the Executive Director; • the Company has become aware of any material wrongdoing on the part of the Executive Director; • the Executive Director has acted in any manner which in the opinion of the Committee has brought or is likely to bring any Group company into material disrepute or is materially adverse to the interests of any Group company; • there is a breach of the Executive Director's employment contract that is a potentially fair reason for dismissal; • the Executive Director is in breach of a fiduciary duty owed to any Group company;

Performance measures (cont'd)	• an Executive Director who has ceased employment was in breach of their employment contract or fiduciary duties in a manner that would have prevented the grant or release of an award had the Remuneration Committee been aware (or fully aware) of that breach, and of which the Remuneration Committee was not aware (or not fully aware) at the relevant time; • there was a material error in determining whether an award should be made or in determining the size and nature of the award or in assessing the extent to which any performance measure was satisfied; • a Group company misstated any financial information for any part of any year that was taken into account in determining whether an award should be made or in determining the size and nature of such award or assessing the extent to which any performance measure was satisfied; or • a Group company or business unit that employs or employed the Executive Director, or for which the Executive Director is or was responsible, has suffered a material failure of risk management.

VARIABLE REMUNERATION: PERFORMANCE SHARE PLAN (PSP)

Element, purpose and link to strategy	To incentivise Executive Directors to focus on the long-term strategic objectives of the Group and to deliver sustainable shareholder value, aligning their interests with the interests of shareholders.
Operation	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 currently followed by a holding period in respect of 40 % of the vested shares, of which one half are released after a one-year holding period and one half after a two-year holding period. For future PSP awards the vesting and holding profile shall be amended such that vesting continues to be measured over three years. 60 % of vested shares shall be subject to a holding period. 20 % of the vested shares shall be released each year for a further three years. Any shares purchased to satisfy PSP awards will be held by an employee benefit trust until vesting. Dividend equivalents are payable in respect of the shares that vest. 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.

Operation (cont'd)	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, market value options, conditional awards of shares or may be delivered through a joint share ownership plan structure, as the Remuneration Committee considers being most appropriate in the circumstances. Senior employees and other employees identified as key to the business who are not Executive Directors may be invited to participate in the PSP at the discretion of the Board.
Maximum opportunity	The maximum PSP award opportunity per Executive Director, in respect of any financial year, is limited to rights over shares with a market value at grant of 100 % of base salary. No Executive Director granted an award under the MIP (see below) may be granted an award under the PSP prior to 1 August 2018.
Performance measures	The vesting of all awards made under the PSP is dependent upon performance conditions based upon: EPS growth (50 % weighting) and up to two strategic or individual objectives (up to a maximum of 25 % weighting each). 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. In determining whether the performance measures have been satisfied, the Remuneration Committee shall take account of the extent to which the measured outcome reflects overall corporate performance and the experience of the shareholders of the Company in terms of value creation. Where the Remuneration Committee is of the opinion that the formulaic application of any performance measure produces an outcome that is unjust to the Company, its shareholders or the Executive Director it shall be entitled, acting in its absolute discretion, to make such adjustments as it sees fit to its determination of whether (and, if relevant, to what extent) the performance measure has been satisfied, at all times having due regard to the interests of shareholders of the Company. The Remuneration Committee shall not exercise any such discretion to the material advantage of an Executive Director other than in exceptional circumstances and following consultation with key shareholders.

Performance measures (cont'd)	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: • the Executive Director has participated in or was responsible for conduct which resulted in significant losses to a Group company; • the Executive Director has failed to meet appropriate standards of fitness and propriety; • the Remuneration Committee has reasonable evidence of fraud or material dishonesty by the Executive Director; • the Company has become aware of any material wrongdoing on the part of the Executive Director; • the Executive Director has acted in any manner which in the opinion of the Committee has brought or is likely to bring any Group company into material disrepute or is materially adverse to the interests of any Group company; • there is a breach of the Executive Director's employment contract that is a potentially fair reason for dismissal; • the Executive Director is in breach of a fiduciary duty owed to any Group company; • an Executive Director who has ceased employment was in breach of their employment contract or fiduciary duties in a manner that would have prevented the grant or release of an award had the Remuneration Committee been aware (or fully aware) of that breach, and of which the Remuneration Committee was not aware (or not fully aware) at the relevant time; • there was a material error in determining whether an award should be made or in determining the size and nature of the award or in assessing the extent to which any performance measure was satisfied; • a Group company misstated any financial information for any part of any year that was taken into account in determining whether an award should be made or in determining the size and nature of such award or assessing the extent to which any performance measure was satisfied; or • a Group company or business unit that employs or employed the Executive Director, or for which the Executive Director is responsible, has suffered a material failure of risk management.

VARIABLE REMUNERATION: MANAGEMENT INCENTIVE PLAN (MIP) – (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 2022 (with a proportion of the shares subject to a holding period until 2023 and 2024). The Remuneration Committee believes that this timetable of staged vesting ensures continued incentivisation of Executive Directors and will aid retention after the MIP awards vest.
Maximum opportunity	Holders of awards granted under the MIP are entitled, collectively, to 15 % of the Group's growth in value above a hurdle set at 30 % above Ultimate Products' IPO share price. The total aggregate value of the awards is capped at a value of 6.25 % of Ultimate Products' issued share capital on the date of the IPO.
Performance measures	None, other than Ultimate Products' share price growth exceeding the hurdle, as disclosed under the 'maximum opportunity' section of this table.

VARIABLE REMUNERATION: ALL-EMPLOYEE SHARE PLANS

Element, purpose and link to strategy	To align the broader employee base with the interests of shareholders and aid recruitment and retention.
Operation	The Group operates an all-employee save-as-you-earn plan approved by HM Revenue & Customs under Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003. Executive Directors are, as required by the relevant legislation, entitled to participate on the same basis (and subject to the same maximums) as other Group employees.
Maximum opportunity	In line with HMRC limits in force from time to time.
Performance measures	None.

OTHER: SHAREHOLDING GUIDELINES

Element, purpose and link to strategy	To create alignment between the Executive Directors' interests and those of shareholders.
Operation	The Remuneration Committee expects all Executive Directors, within a period of five years from appointment, to build up a meaningful shareholding in Ultimate Products.
Maximum opportunity	The Chief Executive Officer and the Managing Director will be required to build up interests in the Group's shares worth 250 % of base salary. All other Executive Directors will be required to build up interests in shares worth 125 % of base salary. The Remuneration Committee requires that all Executive Directors continue to comply with a tapered shareholding requirements for two years following termination of their directorship, whereby they shall reduce their holding from the 250 % or 125 % of base salary level by no more than 50 % in year 1 and 50 % in year 2.
Performance measures	None.

ULTIMATE PRODUCTS

BELDRAY *Bathroom Essentials*
High-quality, stylish products for modern bathrooms

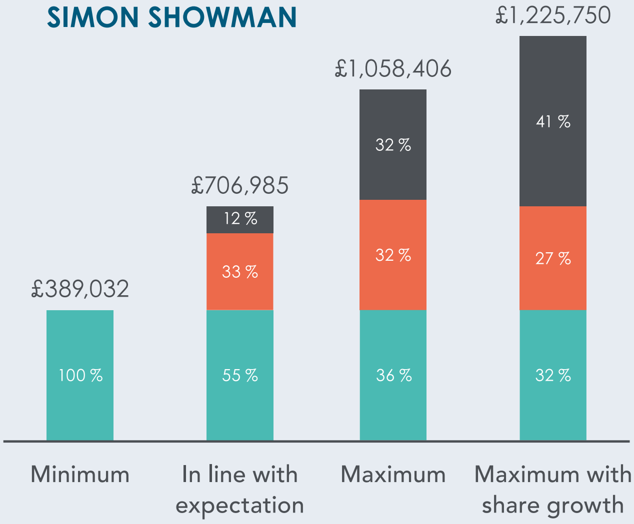
REMUNERATION COMMITTEE REPORT

ILLUSTRATIONS OF APPLICATION OF REMUNERATION POLICY

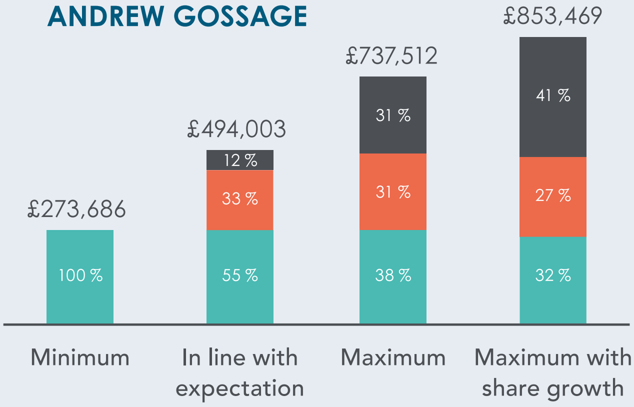
The charts below illustrate the potential value of the remuneration packages for the Executive Directors under the scenarios as explained in the supporting table.

Fixed pay Annual bonus PSP

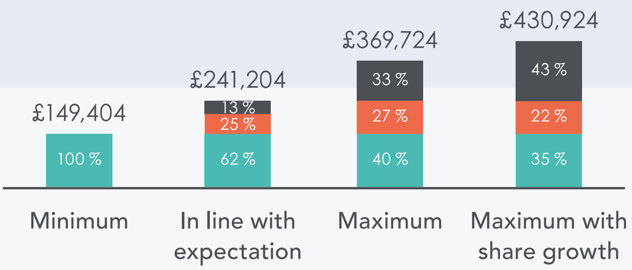
SIMON SHOWMAN



ANDREW GOSSAGE



GRAHAM SCREAWN



	Fixed Pay	Annual Bonus	PSP	SAYE
Minimum performance	Fixed elements of remuneration – base salary, car allowance, benefits and pension only. Base salary is as at 31 July 2020 and the value for benefits has been calculated as per the single figure table on page 86.	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		60 % of base salary for achieving target performance (40 % 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		100 % of base salary for achieving maximum target performance (80 % in respect of Graham Screawn).	100 % of maximum award vesting if the stretch conditions are met.	
Maximum plus share price growth	As for Maximum above, but with the value of 50 % share price growth included within the PSP element.			

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 Group 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. The main pay review takes place in June of each year, with an extra 'hindsight' review in December of each year. The Group HR Director reports the results of the pay review to the Remuneration Committee.

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.

The Group's Employee Consultation Group ('ECG'), which is chaired by the HR Director, is used as a formal communication channel between employees and the Executive Directors to communicate and consult on matters of importance both to and from the employees in a constructive manner. The ECG produces papers for the Board at least twice per year, which are discussed by the Board, and responded to where required.

4. STATEMENT OF CONSIDERATION OF SHAREHOLDERS' VIEWS

The 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 revised Remuneration Policy, the Chairman of the Remuneration Committee sought the views and input of the Group's key shareholders. 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.

Shareholders have expressed a strong preference for the Committee to demonstrate transparency in all aspects of the operation of the Remuneration Policy, and the Committee remains committed to open and clear communication with its shareholders. The Committee agrees that such transparency is a legitimate interest of shareholders, and intends to provide maximum disclosure in all circumstances except where such disclosure would materially prejudice the interests of the Group.

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

5. RECRUITMENT REMUNERATION

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

In some circumstances, to recruit individuals of an appropriate calibre, it may be necessary to buyout their variable remuneration arrangements, which would be forfeited due to leaving their previous employment. Where this is done, the 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 200 % 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 the circumstances.

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

For the recruitment of an Executive Director in a non-UK jurisdiction, the 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 pro-rated for the period worked during the financial year and any amount of bonus deferred (whether held in shares or cash) will normally be released immediately.
- If the termination is as a result of anything other than a Good Leaver Reason, no payment will be made under the Annual Bonus Plan on cessation of employment of an Executive Director and any amount of bonus deferred (whether held in shares or cash) will normally not be released until the end of the usual deferral periods.

- If the termination is as a result of a Good Leaver Reason, PSP awards will normally vest at the normal vesting date, pro-rated for time served and remaining subject to the original performance conditions. Any shares held for the compulsory holding period (i.e. after the end of the performance period) will vest immediately;
- If the termination is as a result of anything other than a Good Leaver Reason, any PSP awards will lapse in full.
- In the event of a compromise or settlement agreement, the 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.

Specifically, in determining whether the performance measures have been satisfied for awards made under the PSP or Annual Bonus Plan, the Remuneration Committee is required to take account of the extent to which the measured outcome reflects overall corporate performance and the experience of the shareholders of the Company in terms of value creation. Where the Remuneration Committee is of the opinion that the formulaic application of any performance measure produces an outcome that is unjust to the Company, its shareholders or the Executive Director it shall be entitled, acting in its absolute discretion, to make such adjustments as it sees fit to its determination of whether (and, if relevant, to what extent) the performance measure has been satisfied, at all times having due regard to the interests of shareholders of the Company. The Remuneration Committee shall not exercise any such discretion to the material advantage of an Executive Director other than in exceptional circumstances and following consultation with key shareholders.

The 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 an 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 and this arrangement concludes on 30 November 2020; 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 2020 and 31 July 2019:

	Basic Salary/Fees [1] [2] 2020 £	All Taxable Benefits 2020 £	Pension 2020 £	Total Fixed Remuneration 2020 £	Bonus 2020 £	MIP, PSP and SAYE [3] 2020 £	Total Variable 2020 £	Total 2020 £
Executive Directors								
S Showman	343,262	1,683	-	344,945	-	-	-	344,945
A Gossage	238,799	1,443	2,500	242,742	-	-	-	242,742
G Screawn	133,216	2,316	9,792	145,324	-	-	-	145,324
Non-Executive Directors								
J McCarthy	72,500	-	-	72,500	-	-	-	72,500
A Rigby	48,333	-	-	48,333	-	-	-	48,333
R Bell	48,333	-	-	48,333	-	-	-	48,333
B Franks	38,667	5,407	-	44,074	-	-	-	44,074
	923,110	**10,849**	**12,292**	**946,251**	**-**	**-**	**-**	**946,251**

	Basic Salary/Fees [1] 2019 £	All Taxable Benefits 2019 £	Pension 2019 £	Total Fixed Remuneration 2019 £	Bonus 2019 £	MIP, PSP and SAYE [3] 2019 £	Total Variable 2019 £	Total 2019 £
Executive Directors								
S Showman	383,062	1,733	-	384,795	325,069	-	325,069	709,864
A Gossage	259,272	1,954	10,000	271,226	212,066	-	212,066	483,292
G Screawn	131,000	2,827	14,520	148,347	96,800	-	96,800	245,147
Non-Executive Directors								
J McCarthy	75,000	-	-	75,000	-	-	-	75,000
A Rigby	49,167	-	-	49,167	-	-	-	49,167
R Bell	50,000	-	-	50,000	-	-	-	50,000
B Franks	40,000	5,922	-	45,922	-	-	-	45,922
	987,501	**12,436**	**24,520**	**1,024,457**	**633,935**	**-**	**633,935**	**1,658,392**

[1] The salaries noted above include amounts for car allowance: S Showman £11,215 (2019 – £12,500); A Gossage £11,215 (2019 – £12,500) and G Screawn £10,000 (2019 – £10,000), and the following amounts of pension contributions from the remuneration package that were paid as salary:

	2020 £	2019 £
Executive Directors		
S Showman	36,034	39,703
A Gossage	22,470	17,511
G Screawn	4,896	-
	63,400	**57,214**

[2] The remuneration noted above includes the following pay reductions taken by the directors in the year in light of the COVID-19 pandemic and the resulting impact on the Group:

REMUNERATION COMMITTEE REPORT

	Total contractual remuneration 2020 £	Pay reduction £	Total remuneration paid in 2020 £
Executive Directors			
S Showman	389,032	(44,087)	344,945
A Gossage	273,686	(30,944)	242,742
G Screawn	149,404	(4,080)	145,324
Non-Executive Directors			
J McCarthy	75,000	(2,500)	72,500
A Rigby	50,000	(1,667)	48,333
R Bell	50,000	(1,667)	48,333
B Franks	45,407	(1,333)	44,074
	1,032,529	**(86,278)**	**946,251**

[3] The Group has 3 long-term incentive plans for the years ended 31 July 2020 and 31 July 2019; the MIP, PSP and SAYE. There were no awards that vested in either the current or prior year.

INDIVIDUAL ELEMENTS OF REMUNERATION

Base Salary

As noted in the 2019 Remuneration Report, the base salaries of the individual Executive Directors were reviewed and set on 1 March 2019 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 2020, the base salaries of the Executive Directors will be as follows, including comparison to the previously agreed rates:

	Base Salary 1 March 2020 £	Base Salary 1 March 2019 £	Increase %
Executive Directors			
S Showman	334,687	334,687	0 %
A Gossage	231,913	231,913	0 %
G Screawn	122,400	122,400	0 %

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 2020, each of the Executive Directors took the option to receive a cash allowance as follows; S Showman received £36,034 (2019 – £39,703), A Gossage received £22,470 (2019 – £17,511) and G Screawn received £4,896 (2019 – £Nil).

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 2020 (2019 – £Nil).

Non-Executive Director Fees

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

The fees payable to the Non-Executive Directors are determined by the Board in light of independent surveys of fees paid to Non-Executive Directors of comparable companies and with regard to the time commitment and responsibilities involved. The fees applied in the year ended 31 July 2020 are based upon the structure proposed and passed on 1 March 2017, subject to some subsequent increases in fees as disclosed below and in previous year's annual reports.

With effect from 1 August 2020, the Board increased the fees payable to J McCarthy for his services as Independent Non-Executive Chairman and Chair of the Nominations Committee from £75,000 to £85,000 per annum.

The fee for A Rigby is £40,000 per annum in respect of services as Senior Independent Non-Executive Director and £10,000 per annum in respect of services as Chair of the Remuneration Committee. The fee for R Bell is £40,000 per annum in respect of services as Non-Executive Director and £10,000 per annum in respect of services as Chair of the Audit and Risk Committee. The fee for B Franks is £40,000 in respect of services as Non-Executive Director. Medical expenses insurance was also provided to B Franks as a taxable benefit of £5,407 (2019 – £5,922). B Franks resigned as a director on 18 September 2020.

Two Independent Non-Executive Directors, J Easterbrook and C Adshead, were newly appointed on 21 September 2020. The fee for J Easterbrook is £40,000 per annum in respect of services as Non-Executive Director. The fee for C Adshead is £40,000 per annum in respect of services as Non-Executive Director.

Annual Bonus Scheme

Awards made in respect of the year to 31 July 2020

In accordance with the Remuneration Policy, the maximum bonus opportunity under the Annual Bonus Plan for FY 20 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.

Underlying EBITDA for FY 20 was £10.4 m. The threshold level for EBITDA (£12.5 m) was not met and as a result, no bonus payments were made to the executive directors. The assessment of personal targets was not required due to the EBITDA threshold not being reached.

Long-Term Incentive Plans (Audited)

PSP

In the prior year, 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.

Under the PSP a total of 1,120,000 shares were placed under option with an exercise price of £Nil, of which G Screawn received 125,000.

No awards were made under the PSP in the year ended 31 July 2020. The Remuneration Committee were considering to make awards in May 2020, following the previous round of awards made on 11 March 2019, but determined that in light of the COVID-19 pandemic and the uncertainty at that time on the impact of this on the Group's trading, it was appropriate to defer any awards until the position became clearer. The Remuneration Committee will keep this matter under review and may make awards should the economic and trading environment be supportive of this.

SAYE

In the prior year, 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.

No awards were made under the SAYE in the year ended 31 July 2020. The Remuneration Committee were considering to make awards in May 2020, following the previous round of awards made on 13 February 2019, but determined that in light of the COVID-19 pandemic and the uncertainty at that time on the impact of this on the Group's trading, it was appropriate to defer any awards until the position became clearer. The Remuneration Committee will keep this matter under review with the intention to launch a scheme at the earliest appropriate opportunity.

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 2020

	Subsidiary Share Held	Maximum Potential Plc Shares at 31 July 2020	Face Value
Executive Directors			
S Showman	48	-	-
A Gossage	32	-	-
G Screawn	8	-	-

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	-	-

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 2019, the share price of UP Global Sourcing Holdings plc was below the hurdle price so, at that date, the put option would not be exercisable had the awards been vested at such date. At 31 July 2020 the share price was 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	2 November 2020	1 Month
A Rigby	1 March 2017	2 November 2020	1 Month
R Bell	1 March 2017	2 November 2020	1 Month
B Franks (resigned)	28 July 2005	9 February 2017	1 Month
J Easterbrook	21 September 2020	21 September 2020	1 Month
C Adshead	21 September 2020	21 September 2020	1 Month

Barry Franks resigned as a director on 18 September 2020. All other Directors will stand for re-election on an annual basis.

Outside appointments are disclosed in the Director biographies set out on pages 48 to 51 of the Annual Report.

Payments for Loss of Office (Audited)

There have been no such payments made in either the year ended 31 July 2020 or the comparative period.

Disclosure of Emoluments Voluntarily Reduced

The Executive Directors voluntarily agreed to reduce their salaries in the year in light of the COVID-19 pandemic and the resulting impact on the Group. The total amount of the reduction in FY 20 was £86,278, as set out in the table on page 88.

Directors' Shareholdings (Audited)

The table below sets out the total number of shares held at 31 July 2020 by each Director of the Company.

	A Ordinary Shares Owned [1]	Shares Owned Outright	Shares under option	Deferred bonus shares [2]
Executive Directors				
S Showman	48	18,530,600	-	-
A Gossage	32	8,052,400	-	-
G Screawn	8	410,800	147,784	17,385
Non-Executive Directors				
J McCarthy	-	935,000	-	-
A Rigby	-	25,000	-	-
R Bell	-	402,144	-	-
B Franks	-	7,270,400	-	-

[1] The A ordinary shares held in UP Global Sourcing UK Limited give rise to a potential entitlement to acquire additional shares in UP Global Sourcing Holdings plc, as explained in the 'Long-Term Incentive Plan' section above. Due to the share price at 31 July 2020 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.

[2] Pursuant to the Remuneration Policy, 30 % of the award payable under the Annual Bonus Plan to G Screawn in respect of the year ended 31 July 2019 was deferred into shares that vested in three equal tranches after one, two and three years. The legal title to these shares is held under a nominee agreement by RBC cees Trustee Limited, the trustee of the Group's Employee Benefit Trust. As requiring S Showman and A Gossage to defer a portion of their award into shares would have triggered a mandatory offer under Rule 9 of the City Code on Takeovers and Mergers, the Remuneration Committee instead arranged (in compliance with the Remuneration Policy) for 30 % of their award to be held as cash, again under a nominee agreement by the trustee of the Group's Employee Benefit Trust.

The table below sets out the change in the number of shares held by each Director of the Company in the period since 31 July 2020:

	Shares owned outright 31 July 2019	Shares owned outright 31 July 2020	Shares held under share options 31 July 2020	Deferred bonus shares 31 July 2020	Shares owned outright at 2 November 2020
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	17,385	410,800
Non-Executive Directors					
J McCarthy	935,000	935,000	-	-	935,000
A Rigby	25,000	25,000	-	-	25,000
R Bell	402,144	402,144	-	-	402,144
B Franks (resigned)	7,270,400	7,270,400	-	-	7,270,400

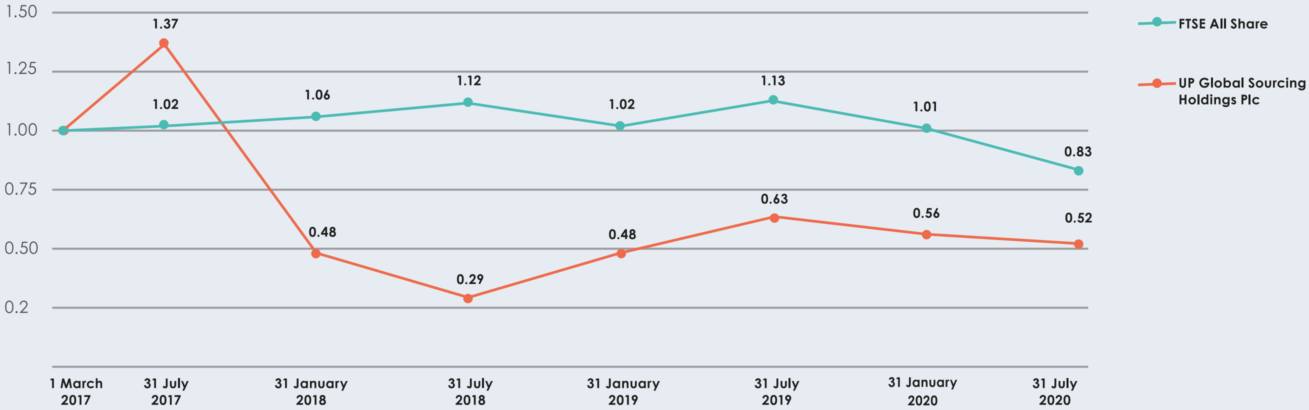
Shareholding Requirement

	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 %	1,088,059	1,703 %
A Gossage	231,913	8,052,400	250 %	753,943	1,068 %
G Screawn	122,400	410,800	125 %	198,960	206 %

[1] Base salary above excludes any amount in respect of a car allowance.
[2] Salary divided by the 31 July 2020 share price of 76.9 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	2020	345	Nil	Nil
S Showman	2019	710	79 %	Nil
S Showman	2018	382	Nil	Nil
S Showman	2017	1,434	Not relevant	Nil
S Showman	2016	1,045	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 2020. The % change noted for salary refers to the increase in annual salary at 1 August 2019 to that at 31 July 2020.

	CEO			Average for other employees
	2020 £'000	2019 £'000	% change	% change
Salary	335	335	-	+2.9 %
Benefits – Medical Insurance	2	2	-	+3.0 %
Bonus	-	325	-100.0 %	-21.3 %

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.

	2020 £'000	2019 £'000	% Change
Total employee costs (note 10 – Financial Statements)	11,748	11,916	-1.4 %
Dividends	3,250*	3,357**	-3.2 %

* Dividends payable and proposed in respect of the year ended 31 July 2020
** Dividends payable and proposed in respect of the year ended 31 July 2019

CEO Pay Ratio

New legislation has come into effect in the year ended 31 July 2020 which requires quoted companies with 250 or more employees to publish information on the ratio of CEO pay to employee pay. In accordance with these requirements we have provided in the table below the ratio of the UP Global Sourcing Holdings Plc CEO single figure remuneration as a ratio of the equivalent single figure for the lower quartile, median and upper quartile UK employee.

Total pay ratio	Method	25 th percentile	Median	75 th percentile
Year ended 31 July 2020	A	15.9:1	14.1:1	10.7:1

As permitted by the legislation, we have calculated the ratio using Option A as this is considered to be the most statistically accurate way. Under this option the full-time equivalent total remuneration has been determined for all UK employees for the year ended 31 July 2020. Representative employees have then been identified for each quartile using this data. No assumptions have been used to estimate the full-time equivalent employees.

The remuneration figure for the employee at each quartile was determined with reference to 31 July 2020.

The total pay and benefits and the base salary component of total pay and benefits are set out as follows:

	Base salary £	Total pay and benefits £
CEO remuneration	296,012	344,945
25 th percentile employee	21,142	21,676
Median employee	23,500	24,480
75 th percentile employee	31,000	32,265

ANNUAL PERCENTAGE CHANGE IN REMUNERATION OF DIRECTORS COMPARED TO EMPLOYEES

This table shows the percentage change in salary, taxable benefits and annual bonus set out in the single figure of remuneration tables, paid to each Director in respect of the financial years ended 31 July 2019 and 31 July 2020 compared to that of the average pay of all employees of the Group.

	Salary/fees % change [1]	Benefits % change	Annual bonus % change
Executive Directors			
S Showman	-10.5 %	-2.9 %	-100.0 %
A Gossage	-10.5 %	-26.2 %	-100.0 %
G Screawn	-2.0 %	-18.1 %	-100.0 %
Non-Executive Directors			
J McCarthy	-3.3 %	-	-
A Rigby	-1.7 %	-	-
R Bell	-3.3 %	-	-
B Franks	-3.3 %	-8.7 %	-
Average pay of all employees [2]	+3.2 %	+3.0 %	-21.3 %

[1] The salary used in the calculation excludes the pension contributions that were paid as salary.
[2] Average pay is determined using all employees in the Group, as the parent company has no employees. The calculations are based on all employees who were employed throughout the year ended 31 July 2020.

STATEMENT ON IMPLEMENTATION OF REMUNERATION POLICY IN THE FOLLOWING FINANCIAL YEAR

Due to the challenges brought about by Coronavirus, a temporary decision was taken by the Remuneration Committee to defer the review of the base salaries of the Executive and Non-Executive Directors, scheduled to take place in March 2020. It is now anticipated that a review of the base salaries of the Executive and Non-Executive Directors will be undertaken by the Remuneration Committee before the end of the current calendar year. The Remuneration Committee will then revert to the normal schedule and will next consider the base salary of the Executive and Non-Executive Directors from 1 March 2021, as part of the annual salary review process. There is expected to be no change in the arrangements concerning benefits and pension contributions.

As referred to above, with effect from 1 August 2020, the Board increased the fees payable to J McCarthy for his services as Independent Non-Executive Chairman and Chair of the Nominations Committee from £75,000 to £85,000 per annum.

As noted earlier in this report, the maximum potential bonus achievable for the Executive Directors is 100 % of base salary for both S Showman and A Gossage and 80 % of base salary for G Screawn. This is a reduction from the previous maximum levels of 125 % and 100 % in accordance with the new Remuneration Policy which has been proposed for shareholder approval at the 2020 AGM. 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 2021 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.

As previously noted, the Remuneration Committee chose not to make any awards under the PSP during the year ended 31 July 2020. The Remuneration Committee will consider making an award under the PSP in the year ending 31 July 2021. 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 (subject to approval of the new Remuneration Policy at the 2020 AGM) be dependent upon the satisfaction of stretching performance conditions based upon EPS growth (50 % weighting) and a maximum of two strategic or individual objectives (25 % weighting). The targets for the performance period will be determined by the 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.

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 £9,000 for Remuneration Committee matters in the year to 31 July 2020.

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 2019 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	59,925,920	99.99 %	2,321	0.01 %	0

The Remuneration Report was approved by the board on 2 November 2020.

On behalf of the Board

A Rigby

Alan Rigby
Chair of the Remuneration Committee

2 November 2020

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 2020.

STRATEGIC REPORT

The Companies Act 2006 requires the Directors to present a review of the business during the year to 31 July 2020 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 4 to 46 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 52 to 59 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 2020, attributable to equity shareholders, amounted to £6,504,000 (2019 – £6,667,000) and the profit after tax was £6,615,000 (2019 – £6,410,000). An interim dividend for the current year of 1.16 p (2019 – 1.16 p) per ordinary share was declared on 4 September 2020 and paid on 9 October 2020. The final proposed dividend of 2.795 p (2019 final dividend – 2.925 p) per ordinary share will be paid on 29 January 2021 if approved at the Company's Annual General Meeting on 11 December 2020 ('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 £4,445,000 (2019 – £4,984,000).

FUTURE DEVELOPMENTS

In accordance with s414A of the Companies Act 2006, the Group has disclosed future developments with its Strategic Report on pages 4 to 46.

DIRECTORS

The following were Directors of the Company during the financial year ended 31 July 2020 and to the date of this report:

- JJ McCarthy
- SA Showman
- AJ Gossage
- GP Screawn
- A Rigby
- RI Bell
- BE Franks (resigned 18 September 2020)
- J Easterbrook (appointed 21 September 2020)
- C Adshead (appointed 21 September 2020)

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 48 to 51 of this report.

DIRECTORS' INTERESTS

Information regarding the Directors' interests in ordinary shares of the Company is provided in the Directors' Remuneration Report on pages 93 to 94. Under the Long-Term Incentive Plan, as set out in the Directors' Remuneration Report on page 93, 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 2020 and 2 November 2020.

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 (2019 – £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 32 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 ENGAGEMENT

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. Employees are consulted regularly on a wide range of matters affecting their current and future interests and open feedback from all employees across the Group is encouraged through our Employee Consultation Group and employee Annual Engagement 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. In light of the COVID-19 pandemic and the uncertainty at that time the Board deferred the 2020 SAYE scheme planned for launch in May 2020. However, the Board remains committed to promote employee share ownership and it intends to offer the 2020 SAYE scheme at the earliest appropriate opportunity.

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 2020, 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	14,308,519	17.41 %	Indirect
Ennismore Fund Management Limited	6,544,961	7.96 %	Indirect
UP Global Sourcing Employee Benefit Trust	4,058,307	4.94 %	Direct

Further notifications were received up to and including 27 October 2020, such that at that date the company had been notified of the following interest in the Company's ordinary share capital:

	Number of shares	% of voting rights	Type of holding
Ennismore Fund Management Limited	5,399,231	6.57 %	Indirect

RELATIONS WITH SHAREHOLDERS

The Company has regular discussions with and briefings for analysts, investors and institutional shareholders. The Executive Directors normally meet with major shareholders twice annually, in order to develop an understanding of their views; other board members are briefed on their discussions. All Directors have the opportunity to attend these meetings. At the AGM, all shareholders, including private investors, have an opportunity to participate in questions and answers with the Board on matters relating to the Company's operation and performance.

SHARE CAPITAL

As at 31 July 2020, 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 26 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 2020, RBC cees Trustee Limited, as trustee of the UP Global Sourcing Employee Benefit Trust (the 'Trustee'), held 4.94 % 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 3,308,307 and 4,058,307 shares in relation to the dividends paid on 30 January 2020 and 9 October 2020 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 2020, pursuant to shareholder resolutions passed on 13 December 2019, 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 2019). Such authorities will expire at the conclusion of the AGM of the Company on 11 December 2020. It is proposed that such authorities are renewed at the AGM for 2020, 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.

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DIRECTORS' REPORT AND OTHER STATUTORY DISCLOSURES

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 2020 AGM.

CARBON EMISSIONS REPORTING

Disclosures regarding greenhouse gas emissions, energy consumption and energy efficiency action are included in the Strategic Report on pages 36 to 38. 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 25.

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 of 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, showroom and distribution facilities at Manor Mill and Heron Mill.

The lease for Manor Mill, originally entered into on 11 November 2016 was extended on 21 January 2020. UP Global Sourcing UK Limited entered into the extension of the lease, on normal commercial terms, with Berbar Properties Limited, a company of which Barry Franks is a director and sole shareholder. The lease is for a term of 10 years and the current rent is £180,000 per annum.

The lease of Heron Mill was entered into by UP Global Sourcing UK Limited on normal commercial terms on 14 April 2016 with Heron Mill Limited, which is controlled by its Directors Simon Showman and Andrew Gossage and former Director Barry Franks. The lease is for a term of 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 page 108. 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 29 of the Strategic Report.

DISCLOSURE OF INFORMATION UNDER LISTING RULE 9.8.4R

The information required to be disclosed under Listing Rule 9.8.4R, where applicable to the Company, can be found in the 2020 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 184 to 190
(4)	Details of long-term incentive schemes	Pages 90 and 91
(5)	Waiver of emoluments by a Director	Not applicable. Details of emoluments voluntarily reduced are set out on pages 87, 88 and 92
(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 105
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Page 103
(13)	Shareholder waivers of future dividends	Page 103
(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 2020 AGM.

ANNUAL GENERAL MEETING

The Company's AGM will be held at 2.00 pm on 11 December 2020 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
2 November 2020

ULTIMATE PRODUCTS

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 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.

Simon Showman	**Graham Screawn**
Chief Executive Officer	Chief Financial Officer

2 November 2020

Financial Statements

SALTER *Opulence Collection*
Kitchen essentials with a rich coloured, soft-touch finish

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 2020 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 2020 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 Directors' confirmation in the Annual Report that they have carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the Annual Report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- 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 in respect of goods in transit at the year end (Note 3) 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 in respect of goods in transit at the year end to be a key audit matter.	We obtained assurance over revenue recognition in respect of goods in transit at the year end in the following ways: We selected a sample of revenue invoices and dispatch notes 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.

Key audit matter	How we addressed the matter in our audit
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 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 by management, 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 are based on past history and the level of recent sales made to each customer. As a result of the level of estimation and judgements applied in this area, we considered rebates to be a key audit matter.	**We obtained assurance over the rebate charge and accrual by:** • Agreeing the calculation of a sample of rebate charges to the underlying rebate agreement and revenue for the year. Where this involved estimation, we reviewed the basis of such estimates and the reasonableness of any assumptions made; • comparison of the rebate charge and accrual to our expectations based on the revenue in the year and past history to identify any significant variances which were then substantiated to supporting documentation, such as post year claims and payments; and • Determination of the accuracy of the estimation of the prior year rebate accrual by considering claims received during the year and the rebate history. **Key observations:** Based on the procedures completed we found management's judgement to be appropriate.
Inventory provisioning (Note 4 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 by management 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 an area where there is a significant risk of material misstatement and a key audit matter.	**We obtained assurance over the calculation of the value of inventory provisions by:** • reviewing the Group's methodology in determining the year end stock provision, with specific consideration given to free stock against which the Group have no orders at the year end; • reviewing a sample of sales of free stock since the year end to ensure that these products have been sold at above cost price since the year end; • testing a sample of inventory held at year end 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 following the prior year end. **Key observations:** Based on the procedures completed we found management's judgement to be appropriate.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the Financial Statements. 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.

Materiality for the Group was set at £400,000 (2019 – £409,000) and was determined with reference to the benchmark of profit before taxation of which it represents 5 % (2019 – 5 %). We consider profit before tax to be one of the principal considerations for stakeholders in assessing the performance of the Group.

Materiality for the Parent Company was set at £220,000 (2019 – £230,000). 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 Group was set at 75 % (2019 – 75 %) of materiality at £285,000 (2019 – £309,750). We selected this level of performance materiality based on a low level of adjustments in the prior year and the existence of a strong overall control environment. Parent Company performance materiality was set at £165,000 (2019 – £172,500), which is 75 % of company materiality in both years.

For the Company's principal subsidiary component materiality was set at £380,000 (2019 – £390,000) being 95 % of Group materiality, due to the simplicity of the Group structure with only one significant trading company.

We agreed with the Audit Committee that we would report to them all audit differences in excess of £14,000 (2019 – £14,300). 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 remaining components of the Group were not considered significant and our work was limited to high level analytical procedures carried out by the group audit team.

EXTENT TO WHICH THE AUDIT WAS CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to those that relate to the form and content of the Financial Statements, such as the Group accounting policies, International Financial Reporting Standards (IFRS), the UK Companies Act 2006 and the UK Corporate Governance Code; those that relate to the payment of employees; and industry related such as compliance with health and safety legislation.

We focused on laws and regulations that could give rise to a material misstatement in the Group Financial Statements. Our audit procedures included, but were not limited to:

- Agreement of the Financial Statement disclosures to underlying supporting documentation;
- Enquiries of management;
- Review of legal and professional expenditure and supporting invoices within the financial period; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations. In particular we reviewed the disclosure of ongoing issues which are discussed at each board meeting showing consideration of the board of any such issues.

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

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 position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit 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;
- 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 , the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 15 July 2016 to audit the Financial Statements for the year ending 31 July 2016 and subsequent financial periods, subject to annual reappointment by the shareholders. The period of total uninterrupted engagement is 4 years, covering the years ending 31 July 2016 to 31 July 2020.

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

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

USE OF OUR REPORT

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

2 November 2020

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

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated*) £'000
Continuing Operations			
Revenue	6	115,684	123,257
Cost of sales		(89,084)	(96,013)
Gross profit		26,600	27,244
Underlying administrative expenses		(17,684)	(18,047)
Underlying profit from operations		8,916	9,197
Share-based payment charges and other non-underlying items	7	199	(257)
Administrative expenses		(17,485)	(18,304)
Profit from operations	8	9,115	8,940
Finance income	11	-	6
Finance costs	11	(753)	(816)
Profit before taxation		8,362	8,130
Income tax	12	(1,747)	(1,720)
Profit for the year		6,615	6,410
		Pence	Pence
Earnings per share – basic	13	8.4	8.0
Earnings per share – diluted	13	8.3	8.0

*Restated for the adoption of IFRS 16 as explained in note 33.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated*) £'000
Profit for the year	6,615	6,410
Other comprehensive income		
Items that may subsequently be reclassified to the income statement:		
Fair value movements on cash flow hedging instruments	(961)	1,238
Hedging instruments recycled through the income statement at the end of hedging relationships	(1,238)	(846)
Items that will not subsequently be reclassified to the income statement:		
Foreign currency retranslation	(8)	12
Other comprehensive income for the year	(2,207)	404
Total comprehensive income for the year attributable to the equity holders of the company	4,408	6,814

*Restated for the adoption of IFRS 16 as explained in note 33.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 July 2020 £'000	As at 31 July 2019 (restated*) £'000	As at 1 August 2018 (restated*) £'000
Assets				
Intangible assets	15	86	98	100
Property, plant and equipment	16	5,065	4,993	5,089
Deferred tax	18	106	130	151
Total non-current assets		5,257	5,221	5,340
Inventories	19	16,022	20,399	16,466
Trade and other receivables	20	18,495	18,644	14,711
Derivative financial instruments	25	53	1,335	985
Cash and cash equivalents	21	329	122	95
Total current assets		34,899	40,500	32,257
Total assets		40,156	45,721	37,597
Liabilities				
Trade and other payables	22	(17,614)	(15,284)	(12,340)
Derivative financial instruments	25	(1,342)	(54)	-
Current tax		(280)	(812)	(427)
Borrowings	23	(3,903)	(14,567)	(10,992)
Lease liabilities	24	(710)	(793)	(771)
Total current liabilities		(23,849)	(31,510)	(24,530)
Net current assets		11,050	8,990	7,727

	Note	As at 31 July 2020 £'000	As at 31 July 2019 (restated*) £'000	As at 1 August 2018 (restated*) £'000
Borrowings	23	(89)	-	(1,864)
Lease liabilities	24	(2,804)	(2,659)	(2,645)
Total non-current liabilities		(2,893)	(2,659)	(4,509)
Total liabilities		(26,742)	(34,169)	(29,039)
Net assets		13,414	11,552	8,558
Equity				
Share capital	26	205	205	205
Share premium	28	2	2	2
Employee Benefit Trust reserve	28	(2,155)	(1,649)	-
Share-based payment reserve	28	796	529	272
Hedging reserve	28	(961)	1,238	846
Retained earnings	28	15,527	11,227	7,233
Equity attributable to owners of the Group		13,414	11,552	8,558

*Restated for the adoption of IFRS 16 as explained in note 33.

These Financial Statements were approved by the Board of Directors and authorised for issue on 2 November 2020 and signed on its behalf by:

Simon Showman
Chief Executive Officer

Graham Screawn
Chief Financial Officer

Company registered number: 5432142.

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	As at 31 July 2020 £'000	As at 31 July 2019 £'000
Assets			
Investments	17	17,457	17,190
Total non-current assets		17,457	17,190
Trade and other receivables	20	8,295	7,692
Total current assets		8,295	7,692
Total assets		25,752	24,882
Liabilities			
Trade and other payables	22	(217)	(208)
Current tax		-	(61)
Borrowings	23	-	(1,493)
Total current liabilities		(217)	(1,762)
Net current assets		8,078	5,930
Borrowings	23	(13)	-
Total non-current liabilities		(13)	-
Total liabilities		(230)	(1,762)
Net assets		25,522	23,120

	Note	As at 31 July 2020 £'000	As at 31 July 2019 £'000
Equity			
Share capital	26	205	205
Share premium	28	2	2
Share-based payment reserve	28	796	529
Hedging reserve	28	(3)	-
Retained earnings	28	24,522	22,384
Total equity		25,522	23,120

The Company's profit for the year was £4,445,000 (2019 – £4,984,000) and the total comprehensive income for the year was £4,442,000 (2019 – £4,985,000).

These Financial Statements were approved by the Board of Directors and authorised for issue on 2 November 2020 and signed on its behalf by:

Simon Showman
Chief Executive Officer

Graham Screawn
Chief Financial Officer

Company registered number: 5432142.

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 2018 (as previously reported)	**205**	**2**	**-**	**272**	**846**	**7,423**	**8,748**
Cumulative adjustment to opening balances from the adoption of IFRS 16	-	-	-	-	-	(190)	(190)
As at 1 August 2018 (restated*)	**205**	**2**	**-**	**272**	**846**	**7,233**	**8,558**
Profit for the year	-	-	-	-	-	6,410	6,410
Foreign currency retranslation	-	-	-	-	-	12	12
Cash flow hedging movement	-	-	-	-	392	-	392
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**392**	**6,422**	**6,814**
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 (restated*)	**205**	**2**	**(1,649)**	**529**	**1,238**	**11,227**	**11,552**

	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 2019 (restated*)	**205**	**2**	**(1,649)**	**529**	**1,238**	**11,227**	**11,552**
Profit for the year	-	-	-	-	-	6,615	6,615
Foreign currency retranslation	-	-	-	-	-	(8)	(8)
Cash flow hedging movement	-	-	-	-	(2,199)	-	(2,199)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(2,199)**	**6,607**	**4,408**
Transactions with shareholders:							
Dividends payable	-	-	-	-	-	(2,307)	(2,307)
Share-based payments	-	-	-	267	-	-	267
Purchase of own shares by the Employee Benefit Trust	-	-	(506)	-	-	-	(506)
As at 31 July 2020	**205**	**2**	**(2,155)**	**796**	**(961)**	**15,527**	**13,414**

*Restated for the adoption of IFRS 16 as explained in note 33.

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 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)
Share-based payments	-	-	257	-	-	257
As at 31 July 2019	**205**	**2**	**529**	**-**	**22,384**	**23,120**

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 31 July 2019	**205**	**2**	**529**	**-**	**22,384**	**23,120**
Profit for the year	-	-	-	-	4,445	4,445
Cash flow hedging movement	-	-	-	(3)	-	(3)
Total comprehensive income for the year	-	-	-	(3)	4,445	4,442
Transactions with shareholders:						
Dividends payable	-	-	-	-	(2,307)	(2,307)
Share-based payments	-	-	267	-	-	267
As at 31 July 2020	**205**	**2**	**796**	**(3)**	**24,522**	**25,522**

ULTIMATE PRODUCTS

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated*) £'000
Net cash flow from operating activities		
Profit for the year	6,615	6,410
Adjustments for:		
Finance income	-	(6)
Finance costs	753	816
Income tax expense	1,747	1,720
Depreciation and impairment	1,417	1,512
Amortisation	12	11
Loss on disposal of non-current asset	18	-
Derivative financial instruments	324	132
Share-based payments	267	257
Income taxes paid	(2,255)	(1,314)
Working capital adjustments		
Decrease/(increase) in inventories	4,377	(3,932)
Decrease/(increase) in trade and other receivables	150	(3,933)
Increase in trade and other payables	2,339	2,947
Net cash from operations	15,764	4,620
Cash flows used in investing activities		
Purchase of intangible assets	-	(9)
Purchase of property, plant and equipment	(601)	(711)
Proceeds from the sale of property, plant and equipment	12	18
Finance income	-	6
Net cash used in investing activities	(589)	(696)

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated*) £'000
Cash flows used in financing activities		
Purchase of own shares	(506)	(1,649)
Proceeds from borrowings	-	2,091
Repayment of borrowings	(10,439)	(450)
Principal paid on lease obligations	(773)	(763)
Debt issue costs paid	(240)	-
Dividends paid	(2,307)	(2,428)
Interest paid	(698)	(702)
Net cash used in finance activities	(14,963)	(3,901)
Net increase in cash and cash equivalents	212	23
Exchange (losses)/gains on cash and cash equivalents	(5)	4
Cash and cash equivalents brought forward	122	95
Cash and cash equivalents carried forward	329	122

*Restated for the adoption of IFRS 16 as explained in note 33.

COMPANY STATEMENT OF CASH FLOWS

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Net cash flow from operating activities		
Profit for the year	4,445	4,984
Adjustments for:		
Finance and dividend income	(4,747)	(5,250)
Finance costs	242	169
Income tax credit	(89)	(15)
Income taxes received	28	10
Working capital adjustments		
Increase in trade and other receivables	(92)	(1,096)
Increase/(decrease) in trade and other payables	21	(17)
Net cash used in operations	(192)	(1,215)
Cash flows from investing activities		
Loans to group undertakings	(510)	-
Dividends received	4,147	4,650
Interest received	600	600
Net cash from investing activities	4,237	5,250
Cash flows used in financing activities		
Repayment of borrowings	(1,480)	(1,472)
Debt issue costs paid	(132)	-
Dividends paid	(2,307)	(2,428)
Interest paid	(126)	(135)
Net cash used in finance activities	(4,045)	(4,035)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents brought forward	-	-
Cash and cash equivalents carried forward	-	-

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

The consolidated Group Financial Statements 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 and rounded to the nearest thousand unless otherwise indicated. The Financial Statements are prepared on the historical cost basis, except for certain financial instruments and share-based payments that have been measured at fair value.

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

GOING CONCERN BASIS

The Group meets its day-to-day working capital requirements through its bank facilities which are subject to various facility limits and covenants. The Directors have considered the principal risks faced by the business and assessed the impact of a severe but plausible downside scenario, including the impact of a further extensive and prolonged lockdown as a result of COVID-19, having regard to the experiences from the initial period of lockdown earlier this year. In assessing whether the Group could withstand such negative impacts, the Board has considered cash flow, impact on debt covenants and headroom against its current borrowing facilities. The Group's projections show that the Group will be able to operate within its existing banking facilities and covenants. Therefore, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of these Financial Statements and, as a result, they have applied the going concern principle in preparing its consolidated and Company Financial Statements.

Further information on the assumptions and judgements used in the going concern assessment is included in note 4.

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 2020.

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 at a point in time on the satisfaction of each performance obligation as that obligation is satisfied.

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

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

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

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 %

Right of use assets – shorter of the lease term or the useful life of the underlying asset.

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.

IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

At each reporting end date, the Group reviews the carrying amounts of its intangible and tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

INVESTMENTS

Investments in subsidiaries are carried at cost less impairment. The Group's share option schemes operate for employees of the subsidiary company UP Global Sourcing UK Limited. As such in accordance with IFRS 2, the share-based payment charge in relation to these options is shown as an increase in investments in the subsidiary company.

EMPLOYEE BENEFIT TRUST ('EBT')

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

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.

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. These assets are held to collect contractual cash flows being solely the payments of the principal amount and interest. Provisions for impairment of trade receivables are recognised for expected lifetime credit losses using the simplified approach. Impairment reviews of other receivables, including those due from related parties, use the general approach whereby 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.

LEASES

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

The Group as a lessee:

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

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

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

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

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

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 has issued the following standards and amendments, which have been adopted by the Group.

Standard	Key Requirements
IFRS 16, Leases	The Group adopted IFRS 16 'Leases' effective for the accounting period commencing 1 August 2019. IFRS 16 has been applied fully retrospectively and comparatives for the prior periods have been restated. Further details of the impact of adoption of IFRS 16 have been included in note 33.
Amendments to IFRS 9, Financial Instruments	The Group adopted the amendments to IFRS 9 'Financial Instruments' in relation to prepayment features with negative compensation for the accounting period commencing 1 August 2019. The adoption of the amendments did not have an impact on the Group.
Amendments to IAS 18, Investments in Associates and Joint Ventures	The Group adopted the amendments to IAS 18 'Investments in Associates and Joint Ventures' in relation to long term interests for the accounting period commencing 1 August 2019. The adoption of the amendments did not have an impact on the Group.
IFRIC 23, Uncertainty over Income Tax Treatments	The Group adopted the interpretation IFRIC 23 'Uncertainty over Income Tax Treatments' for the accounting period commencing 1 August 2019. The adoption of the interpretation did not have a material impact on the Group.

The Group does not expect any standards issued by the IASB, but not yet effective, to have a material impact on the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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 amount of inventory provisions at the balance sheet date is £349,000 (2019 – £379,000).

CUSTOMER REBATES

The Group makes estimates of the amounts likely to be paid to customers in respect of rebate arrangements. When making these estimates, management takes account of contractual customer terms, as well as estimates of likely sales volumes, to determine the rates at which rebates should be accrued in the Financial Statements. The carrying amount of rebate accruals at the balance sheet date is £2,106,000 (2019 – £1,616,000).

VALUATION OF DERIVATIVES HELD AT FAIR VALUE THROUGH PROFIT OR 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 and balance sheet currency exposures at the balance sheet date, together with sensitivities thereon are disclosed in note 25.

SHARE-BASED PAYMENTS

MANAGEMENT INCENTIVE PLAN

The Management Incentive Plan ('MIP') was adopted on 28 February 2017 (see note 27) 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.

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 27). 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 27). 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.

DISCOUNT RATE FOR LEASES

The discount rate used to calculate the lease liability is the incremental borrowing rate which is determined at the lease commencement date with consideration to the term, country and currency of the lease. The incremental borrowing rate is determined based on the entities' existing borrowing rates. Management have performed a sensitivity analysis on the rate used and note that decreasing or increasing the rate by 1 % will not have a material impact on the Financial Statements.

ACCOUNTING JUDGEMENTS

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

DETERMINATION OF LEASE TERM

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

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.

GOING CONCERN

The Directors have adopted the going concern basis in preparing these accounts after assessing the principal risks and having considered the impact of a severe but plausible downside scenario, including a further extensive and prolonged lockdown as a result of COVID-19, recognising the lockdowns announced in the UK and Europe just prior to approving this Annual Report. The Directors considered the impact of the current COVID-19 environment and other principal risks on the business for the next 12 months and the longer-term viability period. Whilst the situation evolves daily, we have considered a number of impacts on sales, profits and cash flows, taking into account experiences from the initial period of lockdown earlier in the year. Then, our distribution centres remained open, operating under strict health and safety protocols in line with government guidance, and we continued to serve our online channel along with the 'essential' bricks and mortar customers who remained open in the UK and internationally.

We have assumed that our distribution centre operations remain open and that we will continue to be able to sell our products through our online channel and to "essential" customers who remain open. Whilst the virus may impact across many functions of the business from supply chain to the ability of our retail customers to sell to consumers, it would most likely manifest itself in lower sales volumes and require further consideration of actions in relation to operational cost reductions. During lockdown earlier in the year, the Group took advantage of the Coronavirus Job Retention Scheme ("CJRS") and the various "Time to Pay" initiatives offered to defer tax liabilities, along with adding a temporary increase to the revolving credit facilities as referred to in note 23. All Time to Pay deferrals had been repaid by the end of the financial year and as referred to in note 32, the Group repaid in full the amounts claimed under the CJRS after the year end.

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, including those relating to COVID-19, how these are managed and the impact that they would have on the forecast financial position. In assessing whether the Group could withstand such negative impacts, the Board has considered cash flow, impact on debt covenants and headroom against its current borrowing facilities. The Group's projections show that the Group will be able to operate within its existing banking facilities and covenants. Therefore, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of these Financial Statements and, as a result, they have applied the going concern principle in preparing its consolidated and Company Financial Statements.

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 2020 £'000	Year ended 31 July 2019 £'000
United Kingdom	74,045	74,751
Germany	10,951	11,846
Rest of Europe	29,716	34,659
USA	403	1,053
Rest of the World	569	948
Total	115,684	123,257
International sales	41,639	48,506
Percentage of total revenue	36.0 %	39.4 %

ANALYSIS OF REVENUE BY BRAND:

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated[v]) £'000
Beldray	32,762	32,292
Salter	25,834	20,884
Russell Hobbs	11,741	9,368
Intempo	5,049	8,248
Progress	4,410	4,095
Kleeneze	1,183	165
Premier brands	80,979	75,052
Other key brands	16,639	26,020
Key brands total	97,618	101,072
Other brands and own label	18,066	22,185
Total	115,684	123,257

[v] During the year, the Group reclassified the Kleeneze brand as a "Premier Brand". The prior year comparative information has been restated.

ANALYSIS OF REVENUE BY MAJOR PRODUCTS:

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Small domestic appliances	38,667	34,061
Housewares	28,210	26,768
Audio	17,067	27,286
Laundry	12,287	11,204
Heating and cooling	6,342	8,779
Luggage	4,052	5,113
Others	9,059	10,046
Total	115,684	123,257

ANALYSIS OF REVENUE BY STRATEGIC PILLAR:

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Discount retailers	44,685	64,605
Supermarkets	28,126	20,108
Online channels	16,719	11,357
	89,530	96,070
Multiple-store retailers	15,010	18,942
Other	11,144	8,245
Total	115,684	123,257

Included in revenue are sales of £30,136,000 (2019: £42,882,000) to the Group's largest two customers.

7. SHARE-BASED PAYMENT CHARGES AND OTHER NON-UNDERLYING ITEMS

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Share-based payment expense (note 27)	267	257
Coronavirus Job Retention Scheme credit	(466)	-
Total	(199)	257

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 27.

During the year, the Group claimed £466,000 under the Government's Coronavirus Job Retention Scheme. As explained in Note 32, Post Balance Sheet Events, the Group took the decision to repay this amount after the year end.

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 2020 £'000	Year ended 31 July 2019 (restated*) £'000
The profit is stated after charging/(crediting) expenses as follows:		
Inventories recognised as an expense	78,219	87,125
Impairment of trade receivables	168	105
Impairment of inventories	750	594
Staff costs	11,748	11,916
Foreign exchange (gain)/loss	(418)	129
Operating lease costs on short term and low value leases	95	85
Loss on disposal of fixed asset	18	-
Depreciation of owned property, plant and equipment	705	779
Depreciation of right of use assets	712	733
Amortisation of intangible assets	12	11
Other cost of sales and operating expenses	14,560	12,840
Total	106,569	114,317

9. AUDITOR'S REMUNERATION

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Fees payable to the Company's auditor for the audit of the parent and consolidated annual accounts	31	27
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	37	35
Total audit fees	68	62
- Audit-related assurance services	12	11
Total non-audit fees	12	11

10. EMPLOYEE NUMBERS AND COSTS

The average monthly number of people employed was:

	Group		Company	
	Year ended 31 July 2020 Number	Year ended 31 July 2019 Number	Year ended 31 July 2020 Number	Year ended 31 July 2019 Number
Average number of employees (including Directors):				
Sales staff	71	66	-	-
Distribution staff	45	38	-	-
Administrative staff	173	161	3	3
Total	289	265	3	3

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

	Group		Company	
	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Wages and salaries	10,257	10,474	208	214
Social security costs	977	982	24	25
Other pension costs	247	203	-	-
Share-based payments	267	257	-	-
Total	11,748	11,916	232	239

Details of Directors' remuneration and pension entitlements are disclosed in the Remuneration Report on pages 86 to 88.

Social security costs payable in respect of the Directors were £119,000 (2019 – £220,000)

The aggregate amount of gains made by Directors on the exercise of share options was £Nil (2019 – £Nil).

11. FINANCE INCOME AND COSTS

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated*) £'000
Finance Costs		
Interest on bank loans and overdrafts	511	617
Interest on lease liabilities	87	87
Foreign exchange in respect of lease liabilities (net of hedging actions)	(25)	37
Other interest payable and similar charges	180	75
Total	**753**	**816**
Finance Income		
Interest income on financial assets measured at amortised cost	-	6
Total	-	6

12. TAXATION

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated*) £'000
Current tax		
Current period – UK corporation tax	1,361	1,494
Adjustments in respect of prior periods	(147)	(124)
Foreign current tax expense	509	329
Total current tax	1,723	1,699

Deferred tax		
Origination and reversal of temporary differences	26	1
Adjustments in respect of prior periods	6	20
Impact of change in tax rate	(8)	-
Total deferred tax	24	21

Total tax charge	1,747	1,720

FACTORS AFFECTING THE TAX CHARGE

The tax assessed for the period is higher than (2019 – higher than) the standard rate of corporation tax in the UK. The differences are explained below.

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated*) £'000
Profit before tax	8,362	8,130
Tax charge at 19.0 % (2019 – 19.0 %)	1,589	1,544
Adjustments relating to underlying items:		
Adjustment to tax charge in respect of prior periods	(141)	(104)
Effects of expenses not deductible for tax purposes	59	59
Impact of overseas tax rates	237	174
Effect of difference in corporation tax and deferred tax rates	(8)	(2)
Deferred tax not recognised	(40)	-
Adjustments relating to non-underlying items:		
Effects of expenses not deductible for tax purposes	51	49
Total tax expense	1,747	1,720

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 2020 £'000	Year ended 31 July 2019 (restated*) £'000
Profit for the year	6,615	6,410
	Number	**Number**
Weighted average number of shares in issue	82,169,600	82,169,600
Less shares held by the UPGS EBT	(3,637,542)	(2,315,204)
Weighted average number of shares – basic	78,532,058	79,854,396
Share options	1,361,617	552,536
Weighted average number of shares – diluted	79,893,675	80,406,932
	Pence	**Pence**
Earnings per share – basic	8.4	8.0
Earnings per share – diluted	8.3	8.0

14. DIVIDENDS

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Final dividend paid in respect of the previous year	2,307	1,508
Interim declared and paid	-	920
	2,307	2,428
Per share	Pence	Pence
Final dividend paid in respect of the previous year	2.93	1.89
Interim declared and paid	-	1.16
	2.93	3.05

An interim dividend of 1.16 p per share in respect of the year ended 31 July 2020 was approved by the Board on 4 September 2020 and was paid on 9 October 2020 to shareholders on record as at 18 September 2020.

The Directors propose a final dividend of 2.795 p per share in respect of the year ended 31 July 2020. The dividend is due to be paid on 29 January 2021 to shareholders on record as at 4 January 2021.

15. INTANGIBLE ASSETS

Cost	Group Trademarks £'000
As at 1 August 2018	102
Additions	9
As at 1 August 2019	111
Additions	-
As at 31 July 2020	111

Accumulated Amortisation	
As at 1 August 2018	2
Charge for the year	11
As at 1 August 2019	13
Charge for the year	12
As at 31 July 2020	25

Carrying Amount:	
As at 31 July 2020	86
As at 31 July 2019	98
As at 31 July 2018	100

Intangible assets primarily relate to the Kleeneze trademark. The amortisation charge reflects the spreading of the cost over this asset's remaining expected useful life of 7.8 years. 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			
Cost	Fixtures, Fittings and Equipment £'000	Motor Vehicles £'000	Right of use assets £'000	Total £'000
As at 1 August 2018 (restated*)	4,959	68	4,611	9,638
Additions	711	-	723	1,434
Disposals	(919)	-	(56)	(975)
As at 31 July 2019 (restated*)	4,751	68	5,278	10,097
Additions	561	40	-	601
Disposals	(128)	(31)	(829)	(988)
Lease modifications	-	-	323	323
As at 31 July 2020	5,184	77	4,772	10,033
Accumulated Depreciation and Impairment Losses				
As at 1 August 2018 (restated*)	2,967	42	1,540	4,549
Charge for the year	767	12	733	1,512
Disposals	(919)	-	(38)	(957)
As at 31 July 2019 (restated*)	2,815	54	2,235	5,104
Charge for the year	691	14	712	1,417
Disposals	(109)	(20)	(829)	(958)
Lease modifications	-	-	(595)	(595)
As at 31 July 2020	3,397	48	1,523	4,968
Carrying Amount:				
As at 31 July 2020	1,787	29	3,249	5,065
As at 31 July 2019 (restated*)	1,936	14	3,043	4,993
As at 31 July 2018 (restated*)	1,992	26	3,071	5,089

Included in property, plant and equipment are assets held outside of the UK with a carrying amount at 31 July 2020 of £228,000 (2019 – £282,000).

Right of use assets comprise property and fixtures, fittings and equipment with carrying values of £3,163,000 (2019 – £2,910,000, 2018 – £2,907,000) and £86,000 (2019 – £133,000, 2018 – £164,000) respectively. Depreciation of right of use assets comprises £665,000 (2019 – £676,000) in respect of property and £47,000 (2019 – £57,000) in respect of fixtures, fittings and equipment.

17. INVESTMENTS

	Company	
	31 July 2020 £'000	31 July 2019 £'000
Carrying value at beginning of the year	17,190	16,933
Share-based payments	267	257
Carrying value at end of the year	17,457	17,190

At 31 July 2020, 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 2020 £'000	31 July 2019 (restated*) £'000
Excess of depreciation over taxable allowances	(4)	54
Other temporary differences	110	76
	106	130

Financial Statements

MOVEMENT IN DEFERRED TAX IN THE YEAR

	Group	
	31 July 2020 £'000	31 July 2019 (restated*) £'000
Balance brought forward	130	151
Movement arising in the year	(24)	(21)
Balance carried forward	106	130

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 £484,000 (2019 – £548,000) in respect of losses carried forward.

19. INVENTORIES

	Group	
	31 July 2020 £'000	31 July 2019 £'000
Goods for resale	16,022	20,399
	16,022	20,399

Inventories at 31 July 2020 are stated after provisions for impairment of £349,000 (2019 – £379,000). Inventories are pledged as security for liabilities, as referred to in note 23.

20. TRADE AND OTHER RECEIVABLES

	Group	
	31 July 2020 £'000	31 July 2019 (restated*) £'000
Trade receivables	17,979	17,807
Other receivables and prepayments	516	837
	18,495	18,644

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 25).

The Group maintains a high level of credit insurance on its trade receivables, averaging in excess of 97 % insured over FY 20 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 2020 are stated after provisions for impairment of £180,000 (2019 – £117,000).

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 2020 is 49 days (2019 – 46 days).

AGEING OF PAST DUE BUT NOT IMPAIRED RECEIVABLES

	Group	
	31 July 2020 £'000	31 July 2019 £'000
Less than 1 month	1,328	2,912
1–2 months	241	105
2–3 months	70	116
Over 3 months	281	192
	1,920	3,325

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date, taking into account the extent of credit insurance held on the receivable.

The largest trade receivables balance with an individual customer represents 14.2 % of the total at 31 July 2020. The concentration of credit risk in relation to this is mitigated by credit insurance.

Details of the Group's credit risk management policies are shown in note 25. The Group does not hold any collateral as security for its trade and other receivables.

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

TRADE AND OTHER RECEIVABLES – COMPANY

	Company	
	31 July 2020 £'000	31 July 2019 £'000
Amounts owed by group undertakings	8,158	7,650
Other receivables and prepayments	137	42
	8,295	7,692

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 2020 £'000	31 July 2019 £'000
Cash at bank	329	122

22. TRADE AND OTHER PAYABLES

	Group	
	31 July 2020 £'000	31 July 2019 (restated*) £'000
Trade payables	10,768	9,202
Accruals	6,304	5,836
Other taxes and social security	542	246
	17,614	15,284

Trade payables principally consist of amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing and are typically settled on 30 to 60 day terms.

The Directors consider that the carrying value of trade and other payables approximates their fair value. Trade and other payables are denominated in Sterling, US Dollars and Euros. UP Global Sourcing Holdings plc has financial risk management policies in place to ensure that all payables are paid within the credit time frame and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

TRADE AND OTHER PAYABLES – COMPANY

	Company	
	31 July 2020 £'000	31 July 2019 £'000
Accruals	217	208
	217	208

23. BORROWINGS

	Group	
	31 July 2020 £'000	31 July 2019 £'000
Current		
Invoice discounting	-	6,509
Import loans	3,903	6,339
Revolving credit facility	-	1,719
	3,903	14,567

	Group	
	31 July 2020 £'000	31 July 2019 £'000
Non-current		
Revolving credit facility	225	-
	225	-
Less: Unamortised debt issue costs	(136)	-
	89	-
Total borrowings	3,992	14,567
The earliest that the lenders of the above borrowings require repayment is as follows:		
In less than one year	3,903	14,567
Between two and five years	225	-
Less: Unamortised debt issue costs	(136)	-
	3,992	14,567

BORROWINGS – COMPANY

	Company	
	31 July 2020 £'000	31 July 2019 £'000
Current		
Revolving credit facility	-	1,493
	-	1,493

	31 July 2020 £'000	31 July 2019 £'000
Non-current		
Revolving credit facility	13	-
	13	-
Less: Unamortised debt issue costs	-	-
	13	-
Total borrowings	13	1,493
The earliest that the lenders of the above borrowings require repayment is as follows:		
In less than one year	-	1,493
Between two and five years	13	-
Less: Unamortised debt issue costs	-	-
	13	1,493

Having refinanced its banking facilities on 1 October 2019, at 31 July 2020 the Group was funded by external banking facilities provided by HSBC under a five-year agreement which runs until 2024. At 31 July 2020, these facilities comprised a revolving credit facility of £8.2 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.

On 7 May 2020, as a protective measure against the uncertainty arising from the COVID-19 pandemic, the Group agreed an increase to the revolving credit facility with HSBC until 31 January 2021. The amount of the increase in the facility was initially for £4.0 m, reducing to £3.0 m on 31 July 2020 and to £2.0 m at 31 October 2020, until it terminates on 31 January 2021.

Current bank borrowings include a gross amount of £nil at 31 July 2020 (2019 – £6,509,000) 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 £3,903,000 at 31 July 2020, (2019 – £6,339,000) 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 2020 total bank borrowings are net of £136,000 (2019 – £Nil) 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 2019 £'000	Cash flow £'000	Non-cash changes £'000	31 July 2020 £'000
Invoice discounting	6,509	(6,509)	-	-
Import loans	6,339	(2,436)	-	3,903
Revolving credit facility	1,719	(1,494)	-	225
Less: unamortised debt issue costs	-	(240)	104	(136)
Total	14,567	(10,679)	104	3,992

	Company			
	At 1 August 2019 £'000	Cash flow £'000	Non-cash changes £'000	31 July 2020 £'000
Revolving credit facility	1,493	(1,480)	-	13
Less: unamortised debt issue costs	-	(132)	132	-
Total	1,493	(1,612)	132	13

24. LEASE LIABILITIES

The Group's lease portfolio comprises its principal properties (Manor Mill, Heron Mill, Cologne and Guangzhou) along with certain other fixtures, fittings and equipment.

All leases consist of fixed future payment amounts. With the exception of the Manor Mill and Cologne leases which incorporate break options to provide operational flexibility, all leases have fixed terms. Management consider the likelihood of exercising such break options when determining the lease term (see note 4, Accounting Judgements). Accordingly, the lease term for Manor Mill was determined to be the full length of the lease, excluding the break option, whereas it was assumed that the break option contained within the Cologne lease would be exercised in April 2023. Consequently, the Group could potentially be exposed to additional future cash flows not reflected in the measurement of the liability below.

The Cologne and Guangzhou leases are denominated in Euros and Renminbis respectively, exposing the Group to foreign exchange risk. Euro lease outflows are met by future Euro cash inflows generated by the business, whilst forward currency contracts are taken out to hedge the Renminbi lease outflows.

DISCOUNTED LEASE LIABILITIES

	Group	
	31 July 2020 £'000	31 July 2019 (restated*) £'000
Lease liabilities less than one year	710	793
Lease liabilities greater than one year	2,804	2,659
	3,514	3,452

MATURITY ANALYSIS – CONTRACTUAL UNDISCOUNTED LEASE PAYMENTS

	31 July 2020 £'000	31 July 2019 (restated*) £'000
Within one year	791	858
Greater than one year but less than two years	837	792
Greater than two years but less than five years	1,260	1,921
Greater than five years but less than ten years	930	-
	3,818	3,571

MOVEMENT IN LEASES IN THE YEAR

	Group	
	31 July 2020 £'000	31 July 2019 (restated*) £'000
Balance brought forward	3,452	3,416
New leases and lease modifications (note 16)	918	723
Repayments	(854)	(850)
Interest on lease liabilities	87	87
Foreign exchange revaluation	(89)	76
Balance carried forward	3,514	3,452

RIGHT OF USE ASSETS

An analysis of the carrying value and depreciation of right of use assets by underlying class of asset is provided in note 16.

Details of interest on lease liabilities and foreign exchange in respect of lease liabilities (net of hedging actions) are shown in note 11.

SHORT-TERM AND LOW VALUE LEASES

The Group has elected to recognise payments for short-term leases and leases of low value assets on a straight-line basis as an expense in the income statement and these are disclosed in note 8.

Commitments in respect of short-term and low value leases are shown in note 31.

25. 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 2020 £'000	31 July 2019 (restated*) £'000
Trade receivables	17,979	17,807
Derivative financial instruments – assets subject to hedge accounting	-	1,251
Derivative financial instruments – assets not subject to hedge accounting	53	84
Trade and other payables	17,072	15,038
Derivative financial instruments – liabilities subject to hedge accounting	(957)	-
Derivative financial instruments – liabilities not subject to hedge accounting	(385)	(54)
Borrowings	(3,992)	(14,567)
Lease liabilities	(3,514)	(3,452)
Cash and cash equivalents	329	122

Derivative financial instruments subject to hedge accounting are cash flow hedges.

FINANCIAL ASSETS

The Group held the following financial assets at amortised cost:

	Group	
	31 July 2020 £'000	31 July 2019 £'000
Cash and cash equivalents	329	122
Trade receivables	17,979	17,807
	18,308	17,929

IMPAIRMENT OF FINANCIAL ASSETS

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 20 average being over 97 %) and has a history of a low level of losses thereon. Under the credit insurance policy, insured limits are applied for on a customer account level and each customer receivable balance is compared against the limit received. Where the customer balance exceeds or is forecast to exceed the insured limit, the Group's process for monitoring uninsured accounts is applied. Therefore, in measuring ECL the Group has taken account of its low historic loss experience together with its high level of credit insurance and reviewed the receivables on an item-by-item basis.

	Group 31 July 2020			Group 31 July 2019		
	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)	16,786	765	17,551	16,441	509	16,950
Expected credit loss	-	(174)	(174)	-	(113)	(113)
Net carrying amount	16,786	591	17,377	16,441	396	16,837
Gross carrying amount -						
Trade receivables (uninsured)	602	6	608	953	21	974
Expected credit loss	-	(6)	(6)	-	(4)	(4)
Net carrying amount	602	-	602	953	17	970
Gross carrying amount -						
Trade receivables (total)	17,388	771	18,159	17,394	530	17,924
Expected credit loss	-	(180)	(180)	-	(117)	(117)
Net carrying amount	17,388	591	17,979	17,394	413	17,807

The credit risk of Group undertakings is estimated based on the expected recoverable amount, taking into account the creditworthiness of the other party at the year end and any changes in credit risk during the year.

FINANCIAL LIABILITIES

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

	Group	
	31 July 2020 £'000	31 July 2019 (restated*) £'000
Trade payables	10,768	9,202
Borrowings	3,992	14,567
Other payables	6,304	5,836
Lease liabilities	3,514	3,452
	24,578	33,057

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 2020 £'000	31 July 2019 (restated*) £'000
Derivative financial instruments – assets	53	1,335
Derivative financial instruments – liabilities	(1,342)	(54)
	(1,289)	1,281

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

	Group	
	31 July 2020 £'000	31 July 2019 £'000
Forward currency contracts	(1,335)	1,240
Interest rate swaps	(7)	2
Interest rate caps	53	39
	(1,289)	1,281

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 2020, the Group was committed to buy US$32,100,000 (2019 – US$35,500,000), to sell €23,025,000 (2019 – €16,050,000), to sell CA$nil (2019 – CA$155,000) and to buy CNY 6,230,606 (2019 – CNY 7,960,000), paying and receiving respectively fixed Sterling amounts. At 31 July 2020, all the outstanding USD, EUR and CAD contracts mature within 12 months of the period end (2019 – 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 2020 is a liability of £1,335,000 (2019 – £1,240,000 asset).

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

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

The fair value of forward contracts that are effective in offsetting the exchange rate risk is a liability of £950,000 (2019 – £1,249,000 asset), 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 £950,000 within 12 months (2019 – £1,249,000 within 12 months). The cash flows in respect of the forward contracts will occur over the course of the next 12 months.

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 2020, protection was in place over an aggregate principal of £15,600,000 (2019 – £11,970,000).

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 a liability of £7,000 (2019 – £2,000 asset), which has been recognised in other comprehensive income and will be released to profit or loss over the term of the swap agreements. The agreements expire between 31 December 2021 and 28 February 2025. The cash flows in respect of the swaps occur monthly over the effective lifetime of the swaps.

The fair value of the interest rate caps was an asset of £53,000 (2019 – £39,000).

The following is a reconciliation of the financial instruments to the Statement of Financial Position:

	Group	
	31 July 2020 £'000	31 July 2019 (restated*) £'000
Trade receivables	17,979	17,807
Prepayments and other receivables not classified as financial instruments	516	837
Trade and other receivables (note 20)	18,495	18,644

	Group	
	31 July 2020 £'000	31 July 2019 £'000
Trade and other payables	17,072	15,038
Other taxes and social security not classified as financial instruments	542	246
Trade and other payables (note 22)	17,614	15,284

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 20, on average, over 97 % 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 2020 $'000	31 July 2019 $'000
Trade receivables	7,343	9,893
Other receivables and prepayments	87	182
Net cash, overdrafts and revolving facilities	1,124	(117)
Import loans	(4,126)	(7,717)
Invoice discounting	258	(1,968)
Trade payables	(10,940)	(9,226)
	(6,254)	(8,953)

The effect of a 20 % strengthening of Sterling at 31 July 2020 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 £644,000 (2019 – £993,000). 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 £965,000 (2019 – £1,489,000).

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

	Group	
	31 July 2020 €'000	31 July 2019 (restated*) €'000
Trade receivables	8,680	4,678
Other receivables and prepayments	52	127
Net cash, overdrafts and revolving facilities	(685)	(76)
Import loans	(259)	-
Invoice discounting	(41)	(3,584)
Trade payables	(412)	(170)
Lease liabilities	(414)	(542)
	6,921	433

The effect of a 20 % strengthening of Sterling at 31 July 2020 on the foreign denominated financial instruments carried at that date would, all variables held constant, have resulted in a decrease to total comprehensive income for the period and a decrease to net assets of £843,000 (2019 – £53,000). 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 £1,265,000 (2019 – £79,000).

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.

26. SHARE CAPITAL

NUMBER OF SHARES IN ISSUE

	31 July 2020	
Issued and fully paid:	Number	£'000
Ordinary shares of 0.25 p	82,169,600	205
Total shares	82,169,600	205

	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

RIGHTS OF SHARE CAPITAL

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

27. SHARE-BASED PAYMENTS

The Group had share option schemes in place during the years ended 31 July 2020 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 2020	Weighted average exercise price 2020	No. of shares under option 2019	Weighted average exercise price 2019
Outstanding at the beginning and end of the year	-	-	-	-

At 31 July 2020 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 2020 relating to the MIP share-based payments was £111,000 (2019 – £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 additional options were issued in the year to 31 July 2020.

	No. of shares under option 2020	Weighted average exercise price 2020	No. of shares under option 2019	Weighted average exercise price 2019
Outstanding at beginning of the year	1,268,914	£0.395	-	-
Exercised during the year	-	-	-	-
Granted during the year	-	-	1,268,914	£0.395
Lapsed during the year	(121,660)	-	-	-
Outstanding at the end of the year	1,147,254	£0.395	1,268,914	£0.395

The weighted average contract length on the options in the SAYE scheme was 1.7 years (2019 – 2.7 years).

Financial Statements

The options were valued using the Black Scholes option pricing model and the total expense recognised for the year ended 31 July 2020, relating to SAYE share-based payments, was £56,000 (2019 – £26,000). The inputs to the Black Scholes model were as follows:

SAYE options at 31 July 2020	
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. This maximises 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 2020	Weighted average exercise price 2020	No. of shares under option 2019	Weighted average exercise price 2019
Outstanding at beginning of the year	1,120,000	-	-	-
Exercised during the year	-	-	-	-
Granted during the year	-	-	1,120,000	-
Outstanding at the end of the year	1,120,000	-	1,120,000	-

The weighted average contract length on the options in the PSP scheme was 2.9 years (2019 – 3.9).

The options were valued using the Black Scholes option pricing model and the total expense recognised for the year ended 31 July 2020, relating to the PSP share-based payments, was £100,000 (2019 – £39,000). The inputs to the Black Scholes model were as follows:

CSOP options at 31 July 2020

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 2020

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 2020

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.

28. 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.

29. ULTIMATE CONTROLLING PARTY

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

30. 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 2020 £'000	Year ended 31 July 2019 £'000
Short-term remuneration	1,997	2,896
Other pension costs	51	64
Share-based payments	166	209
	2,214	3,169

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 2020 and the total for all Directors amounted to £476 (2019 – £1,145).

TRANSACTIONS AND BALANCES WITH RELATED COMPANIES AND BUSINESSES

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Transactions with related companies:		
Rent paid to Heron Mill Limited	285	285
Rent paid to Berbar Properties Limited	135	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 2020 or 31 July 2019.

31. OPERATING LEASE ARRANGEMENTS

Leases which are low-value or short-term, as explained in note 3, are excluded from the lease liability under IFRS 16. Outstanding commitments for future lease payments under non-cancellable low-value or short-term leases were as follows:

	Group	
	31 July 2020 £'000	31 July 2019 £'000
Within one year	31	30
In the second to fifth years inclusive	1	1
	32	31

32. POST BALANCE SHEET EVENTS

During the year, the Group claimed £466,000 under the Government's Coronavirus Job Retention Scheme. As the Group's profitability and cash generation for the year was stronger than initially expected, the Board took the decision in August 2020 to repay this money. The £466,000 was repaid on 11 September 2020.

33. IMPACT OF NEW ACCOUNTING STANDARDS - IFRS 16 LEASES

This note explains the impact of the adoption of IFRS 16 'Leases' on the Group's financial position and financial performance.

IFRS 16 is effective for the accounting period commencing 1 August 2019. The Group adopted the standard using the fully retrospective method, with comparatives restated from a transition date of 1 August 2018.

IFRS 16 replaced IAS 17 and IFRIC 4 and requires lessees to recognise right of use assets and lease liabilities on balance sheet for all leases, except short-term and low value asset leases. At commencement of the lease, the lease liability equals the present value of future lease payments, discounted at the incremental borrowing rate at the start of the lease, and the right-of-use asset equals the lease liability, adjusted for payments already made, lease incentives, initial direct costs and any provision for dilapidation costs.

For pre-IFRS 16 operating leases, the rental charge is replaced by depreciation of the right-of-use asset and interest on the lease liability.

Under IFRS 16, the lease liability is remeasured upon the occurrence of certain events, such as a change in lease term or a change in future lease payments resulting from a change in an index or rate (for example, inflation-linked payments or market rate rent reviews). A corresponding adjustment is made to the right-of-use asset.

The Group applied the practical expedient not to reassess whether a contract is, or contains, a lease on transition. The Group has elected to recognise payments for short-term leases and leases of low value assets on a straight-line basis as an expense in the income statement.

The most significant IFRS 16 judgements and estimates include the determination of lease term when there are extension or termination options and the selection of an appropriate discount rate to calculate the lease liability. See Note 4 for further information.

The Group's lease portfolio consists of its principal properties (Manor Mill, Heron Mill, Guangzhou and Cologne) along with certain other plant and equipment.

IFRS 16 has an impact on reported assets, liabilities and the Consolidated Income Statement of the Group, as well as the classification of cash flows relating to lease contracts. The standard impacts a number of key measures including operating profit, EBITDA and Earnings per Share.

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME RESTATEMENT

The table below sets out the impact of IFRS 16 on the comparative period Consolidated Income Statement and Statement of Comprehensive Income for the year ended 31 July 2019.

Administrative expenses reduce and finance costs increase as straight-line operating lease rental expense is replaced by depreciation of the right of use asset and interest on the lease liability. This results in higher operating profit and higher EBITDA. As the interest expense decreases as the lease liability decreases, profit before tax is lower in the early stages of a lease and higher in the later stages when compared to a straight-line rental expense.

	Year ended 31 July 2019		
	As reported £'000	IFRS 16 impact £'000	Restated £'000
Revenue	123,257	-	**123,257**
Cost of sales	(96,013)	-	**(96,013)**
Gross profit	27,244	-	**27,244**
Underlying administrative expenses	(18,106)	59	**(18,047)**
Underlying profit from operations	9,138	59	**9,197**
Share-based payment charges and other non-underlying items	(257)	-	**(257)**
Administrative expenses	(18,363)	59	**(18,304)**
Profit from operations	8,881	59	**8,940**
Finance income	6	-	**6**
Finance costs	(692)	(124)	**(816)**
Profit before taxation	8,195	(65)	**8,130**
Income tax	(1,733)	13	**(1,720)**
Profit for the year	6,462	(52)	**6,410**
	Pence	Pence	**Pence**
Earnings per share – basic	8.1	(0.1)	**8.0**

	Year ended 31 July 2019		
	As reported £'000	IFRS 16 impact £'000	Restated £'000
Profit for the year	6,462	(52)	**6,410**
Other comprehensive income			
Items that may subsequently be reclassified to income statement:			
Fair value movements on cash flow hedging instruments	1,278	(40)	**1,238**
Hedging instruments recycled through the income statement at the end of hedging relationships	(846)	-	**(846)**
Items that will not subsequently be reclassified to income statement:			
Foreign currency retranslation	12	-	**12**
Other comprehensive income for the year	444	(40)	**404**
Total comprehensive income for the year attributable to the equity holders of the Group	6,906	(92)	**6,814**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION RESTATEMENT

The tables below set out the impact of IFRS 16 on the comparative period Consolidated Statement of Financial Position as at the transition date of 1 August 2018 and 31 July 2019.

Property, plant and equipment and lease liabilities both increase as right of use assets are recognised in the Statement of Financial Position. Further adjustments to trade and other receivables and trade and other payables relate to the removal of rental prepayments and creditors in relation to lease incentives. As leases are recognised in the Statement of Financial Position, gains or losses on hedging instruments used to mitigate the exchange risk for certain foreign currency property leases no longer meet the conditions for hedge accounting, resulting in an adjustment to the hedging reserve.

	Year ended 31 July 2019			As at 1 August 2018		
	As reported £'000	IFRS 16 impact £'000	Restated £'000	As reported £'000	IFRS 16 impact £'000	Restated £'000
Assets						
Intangible assets	98	-	**98**	100	-	**100**
Property, plant and equipment	1,950	3,043	**4,993**	2,018	3,071	**5,089**
Deferred tax	73	57	**130**	107	44	**151**
Total non-current assets	2,121	3,100	**5,221**	2,225	3,115	**5,340**
Inventories	20,399	-	**20,399**	16,466	-	**16,466**
Trade and other receivables	18,724	(80)	**18,644**	14,791	(80)	**14,711**
Derivative financial instruments	1,335	-	**1,335**	985	-	**985**
Cash and cash equivalents	122	-	**122**	95	-	**95**
Total current assets	40,580	(80)	**40,500**	32,337	(80)	**32,257**
Total assets	42,701	3,020	**45,721**	34,562	3,035	**37,597**
Liabilities						
Trade and other payables	(15,434)	150	**(15,284)**	(12,531)	191	**(12,340)**
Derivative financial instruments	(54)	-	**(54)**	-	-	**-**
Current tax	(812)	-	**(812)**	(427)	-	**(427)**
Borrowings	(14,567)	-	**(14,567)**	(10,992)	-	**(10,992)**
Lease liabilities	-	(793)	**(793)**	-	(771)	**(771)**
Total current liabilities	(30,867)	(643)	**(31,510)**	(23,950)	(580)	**(24,530)**
Net current assets	9,713	(723)	**8,990**	8,387	(660)	**7,727**
Borrowings	-	-	**-**	(1,864)	-	**(1,864)**
Lease liabilities	-	(2,659)	**(2,659)**	-	(2,645)	**(2,645)**
Total non-current liabilities	-	(2,659)	**(2,659)**	(1,864)	(2,645)	**(4,509)**
Total liabilities	(30,867)	(3,302)	**(34,169)**	(25,814)	(3,225)	**(29,039)**
Net assets	11,834	(282)	**11,552**	8,748	(190)	**8,558**

	Year ended 31 July 2019			As at 31 July 2018		
	As reported £'000	IFRS 16 impact £'000	Restated £'000	As reported £'000	IFRS 16 impact £'000	Restated £'000
Equity						
Share capital	205	-	**205**	205	-	**205**
Share premium	2	-	**2**	2	-	**2**
Employee Benefit Trust reserve	(1,649)	-	**(1,649)**	-	-	**-**
Share-based payment reserve	529	-	**529**	272	-	**272**
Hedging reserve	1,278	(40)	**1,238**	846	-	**846**
Retained earnings	11,469	(242)	**11,227**	7,423	(190)	**7,233**
Equity attributable to the owners of the company	11,834	(282)	**11,552**	8,748	(190)	**8,558**

CONSOLIDATED STATEMENT OF CASH FLOWS RESTATEMENT

The table below sets out the impact of IFRS 16 on the comparative period Cash Flow Statement for the year ended 31 July 2019. IFRS 16 has no impact on total cash flow for the period or cash and cash equivalents at the end of the period. Cash generated from operations increase as operating lease rental expenses are no longer recognised as operating cash outflows. Cash outflows are instead split between interest paid and repayments of obligations under leases, which both increase.

	Year ended 31 July 2019		
	As reported £'000	IFRS 16 impact £'000	Restated £'000
Net cash flow from operating activities			
Profit for the period	6,462	(52)	**6,410**
Adjustments for:			
Finance income	(6)	-	**(6)**
Finance costs	692	124	**816**
Income tax expense	1,733	(13)	**1,720**
Depreciation and impairment	779	733	**1,512**
Amortisation	11	-	**11**
Derivative financial instruments	132	-	**132**
Share-based payments	257	-	**257**
Income taxes paid	(1,314)	-	**(1,314)**

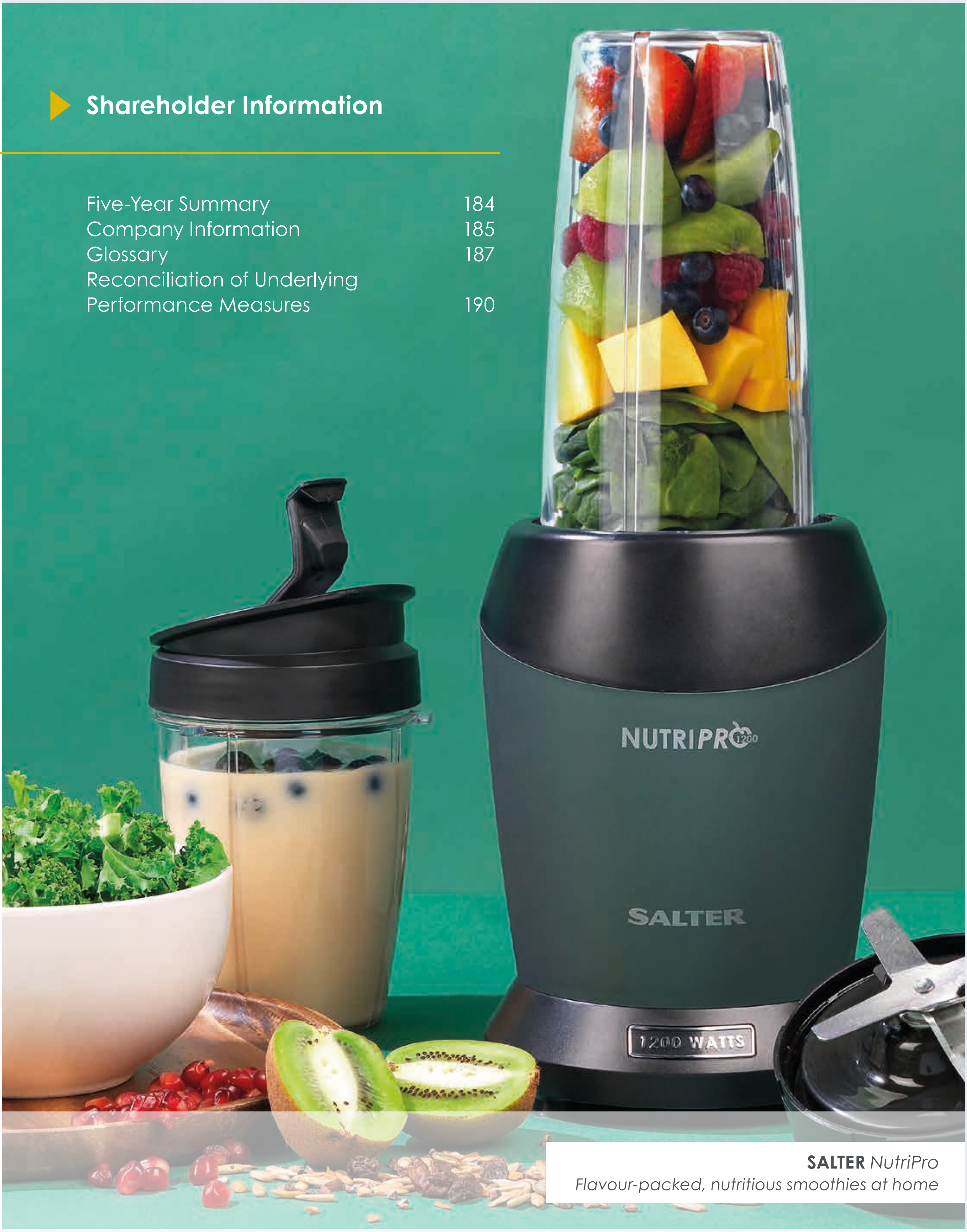
NOTES TO THE FINANCIAL STATEMENTS

	Year ended 31 July 2019		
	As reported £'000	IFRS 16 impact £'000	Restated £'000
Working capital adjustments			
Increase in inventories	(3,932)	-	**(3,932)**
Increase in trade and other receivables	(3,933)	-	**(3,933)**
Increase in trade and other payables	2,907	40	**2,947**
Net cash from operations	3,788	832	**4,620**
Cash flows used in investing activities			
Purchase of intangible assets	(9)	-	**(9)**
Purchase of property, plant and equipment	(711)	-	**(711)**
Proceeds from sale of property, plant and equipment	-	18	18
Finance income	6	-	**6**
Net cash used in investing activities	(714)	18	**(696)**
Cash flows (used in)/ from financing activities			
Purchase of own shares	(1,649)	-	**(1,649)**
Proceeds from borrowings	2,091	-	**2,091**
Repayment of borrowings	(450)	-	**(450)**
Principal paid on lease obligations	-	(763)	**(763)**
Dividends paid	(2,428)	-	**(2,428)**
Interest paid	(615)	(87)	**(702)**
Net cash used in finance activities	(3,051)	(850)	**(3,901)**
Net increase in cash and cash equivalents	23	-	**23**
Cash and cash equivalents brought forward	95	-	**95**
Exchange losses on cash and cash equivalents	4	-	**4**
Cash and cash equivalents carried forward	122	-	**122**

IMPACT OF ADOPTING IFRS 16 ON THE CURRENT YEAR

The implementation of IFRS 16 in the current year has resulted in the recognition of right of use assets of £3,249,000, lease liabilities of £3,514,000 and the replacement of rental expense in the current year of £791,000 with depreciation of £712,000 and lease interest of £62,000. Further adjustments to trade and other receivables and trade and other payables relate to the removal of rental prepayments and creditors in relation to lease incentives.

Shareholder Information



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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 2020.

	Audited year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated*) £'000	Year ended 31 July 2018 (restated*) £'000	Year ended 31 July 2017 (restated*) £'000	Year ended 31 July 2016 (restated^*) £'000
Revenue	115,684	123,257	87,571	109,953	79,028
Cost of sales	(89,084)	(96,013)	(67,979)	(85,386)	(60,114)
Gross profit	26,600	27,244	19,592	24,567	18,914
Administrative expenses	(17,485)	(18,304)	(13,793)	(16,635)	(12,215)
Profit from operations	9,115	8,940	5,799	7,932	6,699
Finance income	-	6	53	-	-
Finance costs	(753)	(816)	(470)	(545)	(532)
Profit before taxation	8,362	8,130	5,382	7,387	6,167
Income tax	(1,747)	(1,720)	(1,133)	(1,844)	(1,344)
Profit for the period	**6,615**	**6,410**	**4,249**	**5,543**	**4,823**

^ The results for the year ended 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.

* The results for the years ended 31 July 2016 to 31 July 2019 have been restated to reflect the impact of IFRS 16, Leases (see note 33), and are therefore unaudited.

NON-GAAP PERFORMANCE MEASURES

	Audited year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated*) £'000	Year ended 31 July 2018 (restated*) £'000	Year ended 31 July 2017 (restated*) £'000	Year ended 31 July 2016 (restated*) £'000
EBITDA	10,562	10,463	6,974	8,867	7,191
Underlying EBITDA	10,363	10,720	7,166	12,099	8,437
Underlying EBITDA margin	9.0 %	8.7 %	8.2 %	11.0 %	10.7 %
Underlying profit before taxation	8,163	8,387	5,574	10,619	7,413
Underlying profit after taxation	6,504	6,667	4,441	8,374	5,820
Underlying earnings per share	7.9 p	8.1 p	5.4 p	10.8 p	7.9 p

* The results for the years ended 31 July 2016 to 31 July 2019 have been restated to reflect the impact of IFRS 16, Leases (see note 33), and are therefore unaudited.

COMPANY INFORMATION

UP GLOBAL SOURCING HOLDINGS PLC

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REGISTERED OFFICE

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SECRETARY

Graham Screawn

AUDITORS BDO LLP

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REGISTRARS

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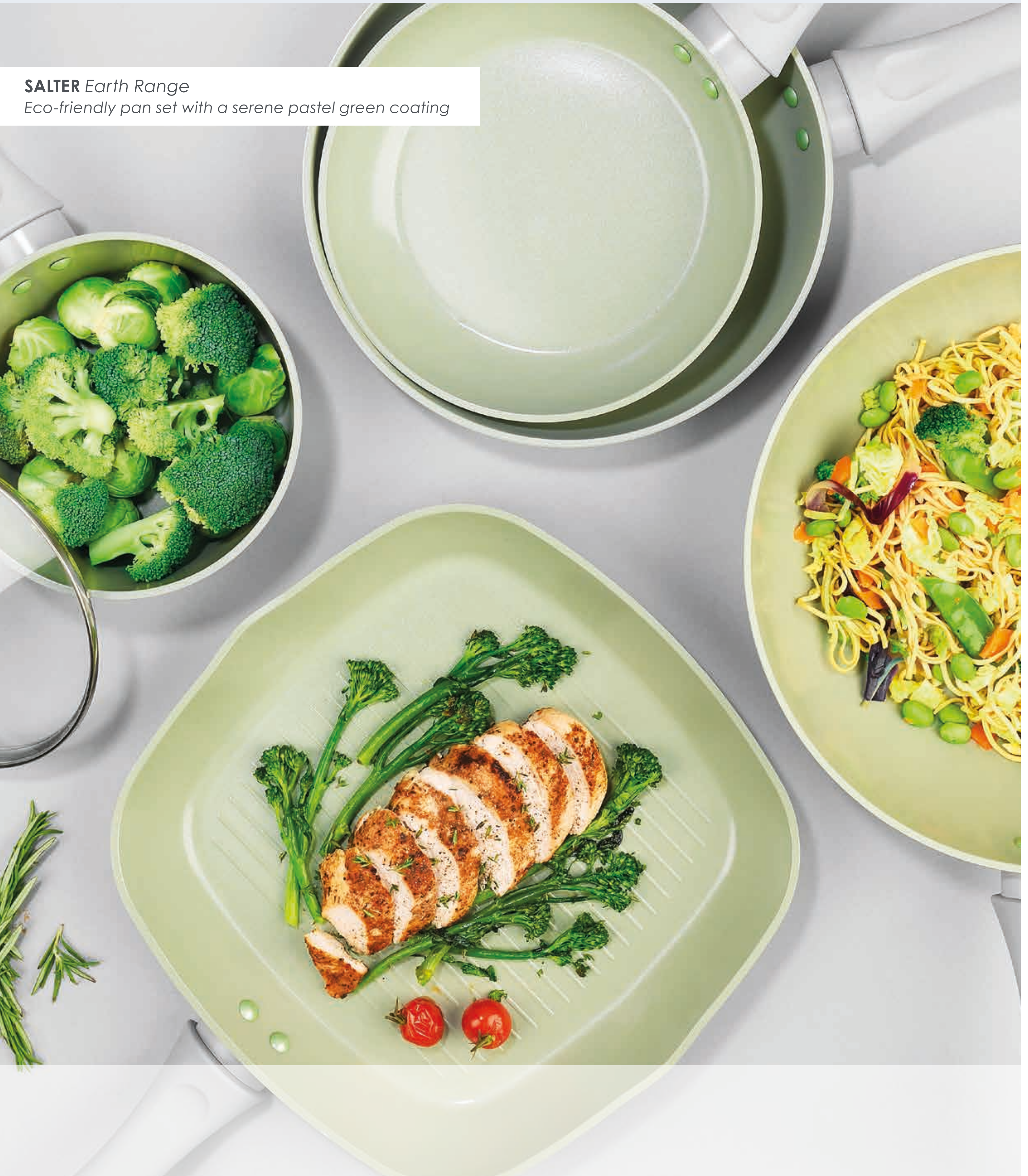
REGISTERED NUMBER

05432142



SALTER *Earth Range*
Eco-friendly pan set with a serene pastel green coating

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 20'	the calendar year 2020;
'Coronavirus Job Retention Scheme' or 'CJRS'	the UK government 's grant introduced to support employers' payroll costs for furloughed employees;
'Directors'	the Executive and Non-Executive Directors;
'EBITDA'	Earnings before interest, tax, depreciation, amortisation and profit or loss on disposal;
'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 18'	the financial year for the Group for the 12 months ended 31 July 2018;
'FY 19'	the financial year for the Group for the 12 months ended 31 July 2019;
'FY 20'	the financial year for the Group for the 12 months ended 31 July 2020;

GLOSSARY

Term	Definition
'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, Alan Rigby, and since 21 September 2020 Christine Adshead and Jill Easterbrook;
'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, Robbie Bell, Alan Rigby, until 18 September 2020, Barry Franks, and since 21 September 2020 Christine Adshead and Jill Easterbrook;
'Official List'	the Official List of the UK Listing Authority;
'PSP'	Performance Share Plan scheme;
'Q1'	the first quarter of the financial year;
'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;

Term	Definition
'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;
'Time to Pay'	the UK government's scheme promoted after the COVID-19 lockdown to defer the payment of PAYE and other UK tax liabilities;
'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 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;
'VAT Deferral'	the UK government's scheme introduced after the COVID-19 lockdown to delay the payment of VAT liabilities.

RECONCILIATION OF UNDERLYING PERFORMANCE MEASURES

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

	Audited year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated) £'000	Year ended 31 July 2018 (restated) £'000	Year ended 31 July 2017 (restated) £'000	Year ended 31 July 2016 (restated) £'000
Profit from operations	9,115	8,940	5,799	7,932	6,699
Depreciation and amortisation	1,429	1,523	1,175	940	492
Gain on disposal	18	-	-	(5)	-
EBITDA	**10,562**	**10,463**	**6,974**	**8,867**	**7,191**
Share-based payment charges and other non-underlying items	(199)	257	192	3,232	1,246
Underlying EBITDA	**10,363**	**10,720**	**7,166**	**12,099**	**8,437**
Profit before taxation	8,362	8,130	5,382	7,387	6,167
Share-based payment charges and other non-underlying items	(199)	257	192	3,232	1,246
Underlying profit before tax	**8,163**	**8,387**	**5,574**	**10,619**	**7,413**
Profit for the year	6,615	6,410	4,249	5,543	4,823
Share-based payment charges and other non-underlying items	(199)	257	192	3,232	1,246
Tax on share-based payment charges and other non-underlying items	88	-	-	(401)	(249)
Underlying profit for the year	**6,504**	**6,667**	**4,441**	**8,374**	**5,820**
Underlying profit for the year	6,504	6,667	4,441	8,374	5,820
No of shares	82,169,600	82,169,600	82,169,600	77,254,220	73,863,084
Underlying earnings per share	**7.9 p**	**8.1 p**	**5.4 p**	**10.8 p**	**7.9 p**

* The results for the years ended 31 July 2016 to 31 July 2019 have been restated to reflect the impact of IFRS 16, Leases (see note 33), and are therefore unaudited.


PROGRESS *Omelette Maker*
Delicious, fluffy omelettes in minutes

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ULTIMATE PRODUCTS