6 November 2018

UP Global Sourcing Holdings plc

“Ultimate Products” or the “Group“

FULL YEAR RESULTS FOR THE YEAR ENDED 31 JULY 2018

Performance impacted by a difficult trading environment and a one-off impact of revenue deferral from a major European customer

FY 19 order book ahead of this time last year, with current trading in line with expectations

Ultimate Products, the owner, manager, designer and developer of an extensive range of value-focused consumer goods brands, announces its full year results for the year ended 31 July 2018.

Financial Highlights

- Total revenue decreased 20.4 % to £87.6 m (FY 17: £110.0 m), driven by a difficult trading environment and a one-off impact of revenue deferral from a major European customer
- Online revenue increased 52.3 % to £7.0 m (FY 17: £4.6 m)
- Gross Margin stable at 22.4 % (FY 17: 22.3 %)
- Underlying EBITDA* decreased 43.8% to £6.5 m (FY 17: £11.5 m)
- Underlying Profit Before Tax* decreased 47.3 % to £5.6 m (FY 17: £10.7 m)
- Profit Before Tax decreased 27 % to £5.4 m (FY 17: £7.4 m)
- Net Debt amounted to £12.8 m (FY 17: £6.0 m), with a net debt/underlying EBITDA ratio* of 2.0x
- Underlying Earnings Per Share down 50.5 % to 5.4 p (FY 17: 10.9 p)
- Full year dividend of 2.72 p per share (FY 17: 5.115 p)

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

  Underlying performance measures exclude the exceptional items and share-based payment charges referred to in note 7 to the consolidated financial below.

Operational Highlights

- New landed supply arrangements with a major European retailer further support the Group’s position as one of its key suppliers and represent an exciting opportunity to grow alongside one of the continent’s fastest expanding retailers
- Good progress in Germany, with a new showroom opened in April 2018 and a number of major retail accounts already open; orders taken to date ahead of management’s expectations
- Purchased the Kleeneze brand out of administration in June 2018, and now relaunching it with a range of laundry and floorcare products for sale into retail and via online channels
- Newly refurbished 240,000 sq ft warehouse at Heron Mill in Oldham already improving operational efficiencies, and provides further capacity for future growth
- A further 47 graduates recruited onto the graduate scheme across 18 different entry-level roles and within nine different key departments

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

“This has been a challenging year for Ultimate Products and indeed for the wider general merchandise sector in the UK. Our results reflect a difficult trading environment, but I am proud of the adaptability and resilience that we have shown in navigating our way through it. The performance of our online business and the progress that we are making in Germany have been particular highlights. These are areas for which we continue to see substantial potential and on which we are therefore focusing an increasing amount of time and investment.

Current trading is in line with expectations, and we are pleased to report that our order book for FY19 is ahead of this time last year. While the UK market looks set to remain challenging for the foreseeable future, we continue to look to the longer-term future with confidence given the viability of our strategy, our experience of managing difficult trading conditions, and our strong balance sheet."

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Notes to Editors

Ultimate Products is an owner, manager, designer and developer of a series of well-known brands focused on the home, selling to over 300 retailers across 36 countries. It has six product categories: Audio; Heating and Cooling; Housewares; Laundry; Luggage; and Small Domestic Appliances. Its brands include Beldray (laundry, floor care, heating and cooling), Intempo (audio), Salter (kitchenware), Constellation (luggage), and Progress (cookware and bakeware).

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

Founded in 1997, Ultimate Products is headquartered in Oldham, Greater Manchester, where it has design, sales, marketing, buying, quality assurance, support functions and warehouse facilities across two sites. Manor Mill, the Group's head office, includes a spectacular 20,000 sq ft showroom that showcases each of its brands. In addition, the Group has an office and showroom in Guangzhou, China and a newly established showroom in Cologne, Germany. In total, Ultimate Products now employs over 240 staff.

For further information, please visit www.upgs.com

BUSINESS REVIEW

Strategy

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

Its strategy has four key pillars:

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

4. international growth.

Performance

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

Revenue from online channels grew in the year by 52.3 % to £7.0 m, representing 7.9 % of total revenues in FY 18 (FY17: 4.2 %). Whilst still a relatively small proportion of overall revenue at the moment, it is increasing in importance. Online is an exciting and fast-growing part of the business and we are optimistic about its future prospects.

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

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

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

Despite the challenges set out above, Gross Margin has remained stable at 22.4 % (FY 17: 22.3 %). This is mainly due to changes in customer mix, ongoing product innovation, the growth in higher margin online business and the Group continuing to effectively manage weaker exchange rates.

Operational Overview

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

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

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

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

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

Dividends

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

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

Graduate Scheme

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

Outlook

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

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

FINANCIAL REVIEW

Overview

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

Net debt/Underlying EBITDA ratio*	2.0 x	0.5 x	+400.0 %
Underlying earnings per share (p)*	5.4	10.9	-50.5 %

Underlying performance measures exclude the exceptional items and share-based payment charges referred to in note 7 to the consolidated financial information and are commented on below.

Revenue

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

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

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

Brands

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

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

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

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

Margins

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

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

Overheads

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

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

Exceptional Items and Share-based Payment Charges

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

Interest

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

Taxation

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

Balance Sheet and Cash Flow

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

- The main components of the increase in non-current assets of £0.3 m were the capital expenditure on the German showroom of £0.3 m in support of our international growth strategy and the £0.1 m purchase of the Kleeneze trademark.
- Inventories increased by £5.4 m (48.8 %) in FY 18, due to the change in supply arrangements from FOB to landed for a major European customer, a higher order book for the first quarter of FY 19 along with an underlying increased share of sales as landed. Landed sales require stockholding prior to invoicing, whereas FOB sales do not. The increase is entirely driven by 'sold stock' purchased against a customer requirement, with 'free stock' levels lower than FY 17 at £6.3 m.
- Trade and other receivables increased by £3.1 m (26.1 %) compared to FY 17. Of this, £3.0 m related to trade receivables as sales in June and July 2018 were higher than last year and debtor days increased from last year's exceptionally low level of 36 days to 41 days. A reversal of the low level reported in FY 17 was expected, although the level remains low in FY 18 compared to historical levels of around 50 days.

- Trade and other payables are £0.2 m (1.7 %) higher than last year, with trade payables £2.8 m (48.4 %) higher due to the increased stock levels and the change in landed / FOB sales mix. This increase was substantially negated by the reduction in accruals of £2.3 m, principally comprising the payment in the year of the shareholder bonus of £2.0 m, referred to in note 7 to the Financial Statements, with no further accrual arising.
- Derivative financial instruments, largely relating to the Group's forward foreign exchange contracts, have increased by £1.2 m to be an asset of £1.0 m at 31 July 2018 (2017 – liability of £0.2 m). This primarily corresponds to the increase in the hedging reserve.
- Current tax was a £0.5 m debtor in FY 17, being the residual amount recoverable from the £2.1 m EMI scheme corporation tax credit last year. The remaining £1.6 m eliminated the FY 17 corporation tax liability, reducing tax payable in each of FY 17 and FY 18 by £0.8 m. The FY 17 debtor balance was recovered in FY 18, reducing the corporation tax payable further such that the tax paid in the year reflected the overseas tax liabilities and the closing corporation tax liability of £0.4 m reflects a return to normal.

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

- inventories (+£5.4 m), increased landed sales and quarter 1 order book along with a major customer changing from FOB to landed;
- trade debtors (+£3.0 m), higher sales at the end of FY 18 and an increase in debtor days from an exceptionally low prior-year level;
- trade payables (-£2.8 m); increased stock levels and changes in landed / FOB mix; and
- accruals (+£2.3 m), payment of the final shareholder bonus accrued in FY 17.

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

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

With dividends paid of £3.6 m (FY 17 final – £2.9 m, FY 18 interim – £0.7 m), net bank debt increased from £6.0 m to £12.8 m, with net senior debt reducing to £1.8 m and the trade facilities comfortably supporting the increased debt thereunder of £11.0 m.

Financing and Going Concern

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

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

James McCarthy
Chairman

Simon Showman
Chief Executive Officer

Consolidated Income Statement

	Note	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Continuing Operations			
Revenue	6	87,571	109,953
Cost of sales		(67,979)	(85,386)
Gross profit		19,592	24,567
Administration expenses before exceptional items and share-based payment charges		(13,647)	(13,444)
Profit from operations before exceptional items and share-based payment charges		5,945	11,123
Exceptional administration expenses	7	-	(3,152)
Share-based payment charges	7	(192)	(80)
Administration expenses		(13,839)	(16,676)
Profit from operations	8	5,753	7,891
Finance income		53	-
Finance costs		(383)	(464)
Profit before taxation		5,423	7,427
Income tax	9	(1,141)	(1,852)
Profit for the year		4,282	5,575

		Pence	Pence
Earnings per share – basic	10	5.2	7.2
Earnings per share – diluted	10	5.2	7.1

Consolidated Statement of Comprehensive Income

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Profit for the year	4,282	5,575
Other comprehensive income/(expense)		
Items that may subsequently be reclassified to income statement:		
Fair value movements on cash flow hedging instruments	846	(193)

Hedging instruments recycled through the income statement at the end of hedging relationships	193	(441)
Items that will not be subsequently reclassified to income statement:		
Foreign currency retranslation	(4)	1
Other comprehensive income/(expense) for the year	1,035	(633)
Total comprehensive income for the year attributable to the equity holders of the group	5,317	4,942

Consolidated Statement of Financial Position

	Note	As at 31 July 2018 £'000	As at 31 July 2017 £'000
Assets			
Intangible assets	12	100	-
Property, plant and equipment	13	2,018	1,715
Deferred tax		107	162
Total non-current assets		2,225	1,877
Inventories		16,466	11,064
Trade and other receivables	14	14,791	11,728
Derivative financial instruments	17	985	17
Current tax		-	481
Cash and cash equivalents		95	91
Total current assets		32,337	23,381
Total assets		34,562	25,258
Liabilities			
Trade and other payables	15	(12,531)	(12,316)
Derivative financial instruments	17	-	(200)
Current tax		(427)	-
Borrowings	16	(10,992)	(1,518)
Total current liabilities		(23,950)	(14,034)
Net current assets		8,387	9,347
Borrowings	16	(1,864)	(4,431)
Total non-current liabilities		(1,864)	(4,431)
Total liabilities		(25,814)	(18,465)
Net assets		8,748	6,793

Equity

Share capital	205	205
Share premium	2	2
Share-based payment reserve	272	-
Hedging reserve	846	(193)
Retained earnings	7,423	6,779
Equity attributable to owners of the group	8,748	6,793

Consolidated Statement of Changes in Equity

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

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

As at 31 July 2018	**205**	**2**	**272**	**846**	**7,423**	**8,748**

Consolidated Statement of Cash Flows

	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Net cash flow from operating activities		
Profit for the year	4,282	5,575
Adjustments for:		
Finance income	(53)	-
Finance costs	383	464
Gain on disposal of non-current assets	-	(5)
Income tax expense	1,141	1,852
Depreciation and impairment	525	394
Amortisation	2	-
Derivative financial instruments	(99)	-
Share-based payments	192	80
Income taxes paid	(178)	(678)
Working capital adjustments		
Increase in inventories	(5,402)	(519)
(Increase)/decrease in trade and other receivables	(3,063)	4,049
Increase/(decrease) in trade and other payables	215	(1,790)
Net cash (used in)/from operations	(2,055)	9,422
Cash flows used in investing activities		
Purchase of intangible assets	(102)	-
Purchase of property, plant and equipment	(829)	(1,162)
Proceeds from disposal of property, plant and equipment	-	28
Finance income	53	-
Net cash used in investing activities	(878)	(1,134)
Cash flows used in financing activities		
Issue of share capital	-	21
Proceeds from borrowings	9,052	-
Repayment of borrowings	(2,175)	(4,085)
Debt issue costs paid	(31)	(38)
Dividends paid	(3,554)	(3,780)
Interest paid	(355)	(451)
Net cash generated from/(used in) finance activities	2,937	(8,333)
Net increase/(decrease) in cash and cash equivalents	4	(45)
Cash and cash equivalents brought forward	91	136

Cash and cash equivalents carried forward	95	91

Notes to the Financial Information

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.

This consolidated financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 July 2017 are an extract of the Company's statutory accounts for the year ended 31 July 2017, prepared in accordance with International Financial Reporting Standards (IFRS), approved by the Board of Directors on 6 November 2017 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 July 2018 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The Auditors have reported on those accounts; their report was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

2. Basis of Preparation

The consolidated financial information is derived from the Group's consolidated Financial Statements for the year ended 31 July 2018, which 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 Financial Statements have been prepared on the historical cost basis, except for certain financial instruments and share based payments that have been measured at fair value.

The consolidated financial information and the Group's consolidated Financial Statements are presented in Sterling, generally rounded to the nearest thousand.

Going Concern Basis

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

3. Accounting Policies

With the exception of the new accounting policy for intangible assets noted below, the accounting policies applied are consistent with those of the annual Financial Statements for the year ended 31 July 2017.

Intangible Assets

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

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

Trademarks – 10 years

4. 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.

5. Financial Instruments

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

The consolidated financial information should be read in conjunction with the Group's Annual Report for the year ended 31 July 2017, as they do not include all financial risk management information and disclosures contained within the Annual Report. There have been no changes in the risk management policies since the year end.

6. Revenue

Geographical Split by Location:

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

Analysis of Revenue by Brand:

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Beldray	21,459	30,762
Salter	13,849	16,055
Intempo	8,457	10,053
Russell Hobbs	6,914	8,480

Progress	3,210	588
Premier brands	53,889	65,938
Other key brands	12,554	9,874
Key brands total	66,443	75,812
Other brands and own label	21,128	34,141
Total	87,571	109,953

Analysis of Revenue by Major Products:

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

Analysis of Revenue by Strategic Pillar:

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

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

7. Exceptional Items and Share-Based Payment Charges

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

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

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

The share-based payment expense relates to the non-cash charge arising on the Management Incentive Plan ('MIP') adopted immediately prior to the IPO. The options have been valued using the Monte Carlo option pricing model and are granted with a three-year vesting period and can be exercised up to seven years following the vesting date.

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

8. Operating Expenses

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
The profit is stated after charging/(crediting) expenses as follows:		
Exceptional items and share based payment charges – note 7	192	3,232
Depreciation of owned property, plant and equipment	525	394
Amortisation	2	-
Gain on disposal of property, plant and equipment	-	(5)

9. Taxation

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

Factors Affecting the Tax Charge

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

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Profit before tax	5,423	7,427
Tax charge at 19.00 % (2017 – 19.67 %)	1,030	1,461

Recurring:		
Adjustment to tax charge in respect of prior periods	(96)	(2)
Effects of expenses not deductible for tax purposes	55	63
Impact of overseas tax rates	112	87
Effect of difference in corporation tax and deferred tax rates	3	9
Non-recurring:		
Effects of expenses not deductible for tax purposes	37	234
Total tax expense	1,141	1,852

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

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

Factors That May Affect Future Tax Charges

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

10. Earnings per Share

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

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

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

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

11. Dividends

	Year Ended	**Year Ended**

	31 July 2018 £'000	31 July 2017 £'000
Final dividend paid in respect of the previous year	2,872	199
Interim declared and paid	682	1,331
	3,554	1,530

Per share (adjusted to reflect the subdivision in the year ended 31 July 2017)	Pence	Pence
Final dividend paid in respect of the previous year	3.50	0.27
Interim declared and paid	0.83	1.62
	4.33	1.89

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

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

12. Intangible Assets

	Trademarks £'000
Opening carrying amount	-
Additions	102
Disposals	-
Amortisation	(2)
As at 31 July 2018	100

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

The amortisation charge represents the spreading of the cost over the asset's expected useful life.

13. Property, Plant and Equipment

	£'000
Opening carrying amount	1,715
Additions	829
Disposals	(1)
Depreciation	(525)
As at 31 July 2018	2,018

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

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

14. Trade and Other Receivables

	31 July 2018 £'000	31 July 2017 £'000
Trade receivables	13,510	10,474

Other receivables and prepayments	1,281	1,254
	14,791	11,728

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

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.

15. Trade and Other Payables

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

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

16. Borrowings

	31 July 2018 £'000	31 July 2017 £'000
Current		
Invoice discounting	4,503	1,016
Import loans	6,530	534
	11,033	1,550
Less: Unamortised debt issue costs	(41)	(32)
	10,992	1,518
Non-current		
Revolving credit facility	1,893	4,499
	1,893	4,499
Less: Unamortised debt issue costs	(29)	(68)
	1,864	4,431
Total borrowings	12,856	5,949

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

In less than one year	11,033	1,550
Between one and two years	1,893	-
Between two and five years	-	4,499
Less: Unamortised debt issue costs	(70)	(100)
	12,856	5,949

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

Reconciliation of liabilities arising from financing activities

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

17. Financial Instruments

Principal Financial Instruments

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

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

Financial Assets

The Group held the following financial assets at amortised cost:

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

Financial Liabilities

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

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

Derivative Financial Instruments

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

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

Derivative Financial Instruments – Forward Contracts

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

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

All of the forward contracts to buy US Dollars and some of those to sell Euros meet the conditions for hedge accounting, in accordance with the Group's accounting policies.

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

Derivative Financial Instruments – Interest Rate Swaps and Interest Rate Caps

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

All interest rate swaps meet the conditions for hedge accounting, in accordance with the Group's accounting policies.

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

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

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

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

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

	31 July 2018 £'000	31 July 2017 £'000
Trade and other payables	12,333	11,810
Other taxes and social security not classified as financial instruments	198	506
Trade and other payables (note 15)	12,531	12,316

18. Related Party Transactions

Transactions and Balances with Related Companies and Businesses

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

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

19. Post Balance Sheet Events

Employee Benefit Trust

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

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

Final Dividend Proposed

As disclosed in note 11 above, the Directors have proposed a final dividend of 1.89 p per share in respect of the year ended 31 July 2018. The dividend is due to be paid on 30 January 2019 to shareholders on record at 4 January 2019.

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held at 2.00pm on 14 December 2018 at the Company's registered office, Manor Mill, Victoria Street, Oldham OL9 0DD.

GLOSSARY

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

'Board'	the board of Directors;
'Company' or **'Ultimate Products'**	UP Global Sourcing Holdings plc, a company incorporated in England and Wales with registered number 05432142;
'Directors'	the Executive and Non-Executive Directors;
'EBITDA'	Earnings before interest, tax, depreciation and amortisation;
'EMI Scheme'	the Enterprise Management Incentive approved employee share scheme under which share options were granted in 2014;
'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;
'FY 17'	the financial year for the Group for the 12 months ended 31 July 2017;
'FY 18'	the financial year for the Group for the 12 months ended 31 July 2018;
'FY 19''	the financial year for the Group for the 12 months ended 31 July 2019;
'Group'	the Company and its Subsidiaries from time to time;
'Independent Non-Executive Directors'	independent Non-Executive Directors of the Company, within the meaning of the UK Corporate Governance Code, being James McCarthy, Robbie Bell and Alan Rigby;
'IPO' or '**Initial Public Offering'**	the Group's admission to the premium segment of the Official List of the Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange plc on 6 March 2017;
'Landed'	the Landed duty paid arrangements pursuant to which the Group imports goods into the UK;
'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;
'Non-Executive Directors'	James McCarthy, Barry Franks, Robbie Bell and Alan Rigby;
'Official List'	the Official List of the UK Listing Authority;

'Shareholder Bonuses'	the bonus arrangements agreed by the Company on 11 June 2014 relating to Simon Showman and Andrew Gossage for the periods up to and including FY 17, ending thereafter;
'Sterling' or **'GBP'** or **'£'**	the lawful currency of the UK;
'Subsidiary'	has the meaning given to it in section 1159 of the Companies Act and includes group companies included in the consolidated Financial Statements of the Group from time to time;
'Underlying Earnings Per Share'	Earnings Per Share after adding back the effect after tax of the exceptional items and share-based payment charges;
'Underlying EBITDA'	EBITDA after adding back the exceptional items and share-based payment charges;
'Underlying EBITDA Margin'	Underlying EBITDA divided by revenue for the same period, expressed as a percentage;
'Underlying Profit Before Tax'	profit before taxation after adding back the exceptional items and share-based payment charges;
'Underlying Profit for the Year'	profit for the year after adding back the after tax effect for the exceptional items and share-based payment charges;
'United Kingdom' or '**UK'**	the United Kingdom of Great Britain and Northern Ireland;
'US$' or **'USD'** or **'US Dollar**	the lawful currency of the United States of America;

Reconciliation of Underlying Performance Measures

	Year ended 31 July 2018 £'000	**Year ended 31 July 2017 £'000**
Profit from operations	5,753	7,891
Depreciation	527	394
Gain on disposal	-	(5)
EBITDA	**6,280**	**8,280**
Exceptional items and share based payment charges	192	3,232
Underlying EBITDA	**6,472**	**11,512**
Profit before taxation	5,423	7,427
Exceptional items and share based payment charges	192	3,232
Underlying profit before tax	**5,615**	**10,659**
Profit for the year	4,282	5,575
Exceptional items and share based payment charges	192	3,232
Tax on exceptional items and share based payment charges	-	(401)
Underlying profit for the year	**4,474**	**8,406**

Underlying profit for the year	4,474	8,406
No of shares	82,169,600	77,254,220
Underlying earnings per share	**5.4 p**	**10.9 p**