

# Welcome to the Home of Brands

Ultimate Products plc  
Annual Report 2023



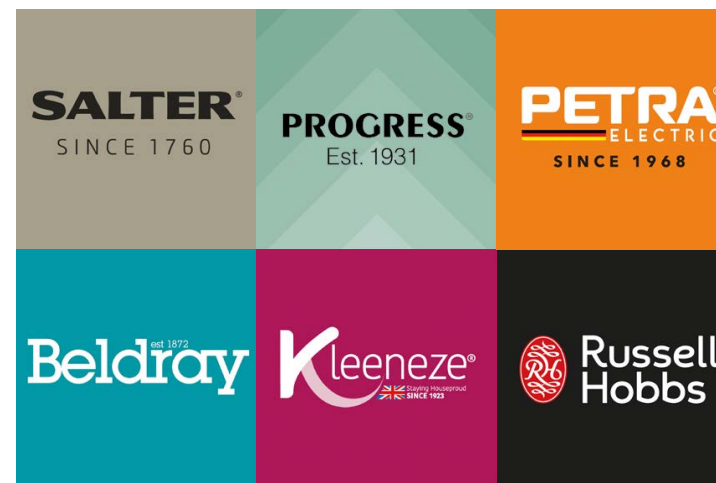


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## Our premier brands



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## Our purpose, culture and values

### Our Purpose

We provide beautiful and more sustainable products for every home.

Ultimate Products is the owner of a number of leading homeware brands including Salter (the UK's oldest housewares brand, est. 1760) and Beldray (est. 1872). Our purpose is to provide beautiful and more sustainable branded products for every home, across the UK and Europe. Our focus on sourcing appealing branded products at prices that resonate with both customers and consumers has helped us grow our business during challenging economic times.

### Our Culture and Values



We are passionate about product



We always strive to do the right thing



We love our brands



We invest in our people



We care about our community



We go the extra mile for our customers



We care about the environment



For more information: see pages 18-32



# Highlights



## Operational highlights

- ▶ Successful relaunch of Petra, the German kitchen electrical brand, into the German market
- ▶ Renewal of the Group's Russell Hobbs licensing agreement on a rolling four-year basis
- ▶ Launch of the Group's inaugural ESG Strategy
- ▶ Continued investment in AI and robotics yielding positive results, and supporting operating margin
- ▶ Opening of the Group's new European showroom in Paris
- ▶ Renaming of the Company from UP Global Sourcing Holdings plc to Ultimate Products plc, to reflect the Group's purpose and core activities

 **For more information:**  
see pages 05–09

## Financial highlights

Revenue

**£166.3m**

**+8%** FY22: £154.2m

Statutory EPS

**14.6p**

**+2%** FY22: 14.3p

Adjusted EBITDA\*

**£20.2m**

**+8%** FY22: £18.8m

Full year dividend per share

**7.38p**

**+4%** FY22: 7.12p

Adjusted EPS\*

**15.4p**

**+4%** FY22: 14.7p

Net bank debt/adjusted EBITDA\*

**0.7x**

**-43%** FY22: 1.3x

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

## Investment case: what sets us apart?

# We are passionate about product

**Our ambition is to be in every home across the UK and Europe**

### Compelling customer proposition provides resilience

Because we love our brands, we develop extensive ranges of original branded products that consumers want to buy. Our focus on affordability creates the opportunity for retailers to price our branded products competitively compared to their own-label equivalents. This, combined with our willingness to go the extra mile for our customers, makes us a partner of choice for over 300 retailers across 45 countries. Our branded product portfolio makes up 89% of our sales and provides a resilient core to our business model, as our brands provide an opportunity to leverage customer loyalty.

### Established international and online presence provides growth

Whilst proud of our UK heritage, our outlook is international. We see Europe as the key driver for future growth for our brands. We have seen considerable success in working with large European retailers, and are ready to expand those, and new, relationships to fulfil our ambition to be in every home across Europe. In addition, growth in Europe is supported by our growing online presence, as we roll-out our tried and tested online model to more European countries.

### Focus on productivity provides profits

Embedded within our culture is a desire for continuous improvement. Our position in the supply chain brings a complexity which must be carefully managed. We see this as an opportunity as it is a barrier to entry for competition. Our ability to manage this complexity is based on our investment in people, where, through our graduate development programme, we employ and develop talent. These talented individuals enable our successful investment in systems, where their ideas and way of thinking have helped us to drive productivity through the use of automation. This productivity allows us to reinvest in higher salaries to attract more talent, to competitively price our products for retailers and consumers, and to increase operating profit margins for shareholders.





## Strategic Report

# Going the Extra mile

### Strategic Report

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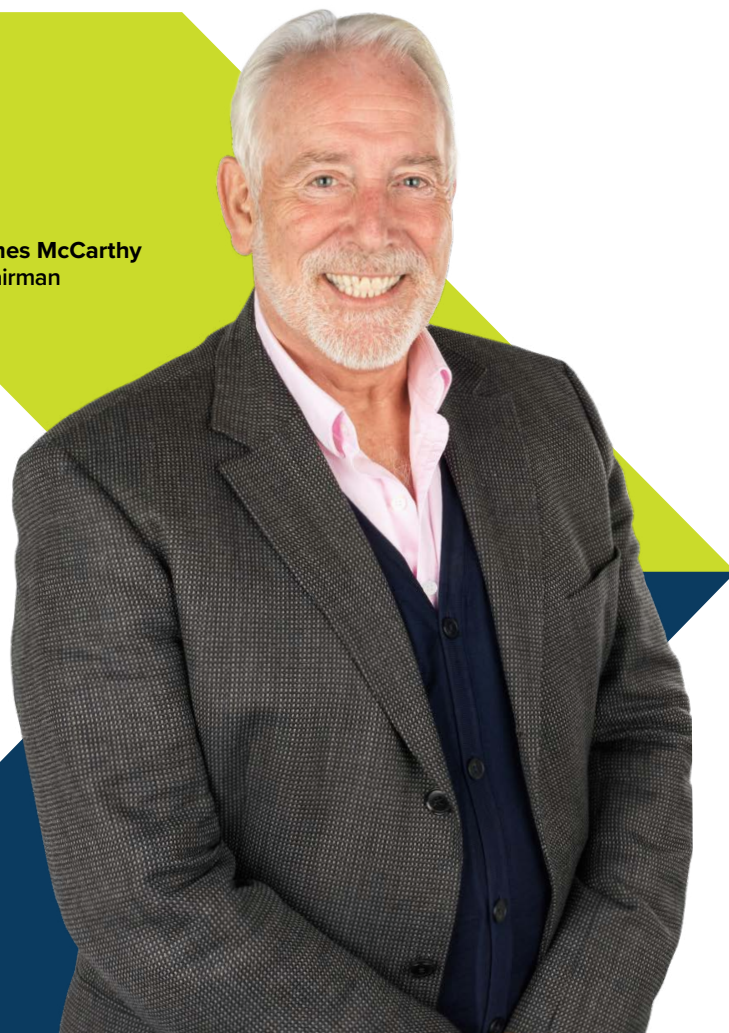


## Chairman's introduction

## Making significant progress

**I am pleased to introduce the Annual Report for FY23, a year in which the business demonstrated the appeal of our affordable branded products to both our retail partners and consumers.**

**James McCarthy**  
Chairman



Our core purpose is to provide beautiful and more sustainable products for every home. This purpose runs deep within our business and, over the past two years of surging inflation, has become even more relevant to our valued retail customers and consumers. The significance lies in those two overlooked words at the end of our purpose: 'every home'.

Our ambition is to provide desirable and affordable products to every household across the UK and Europe. In the current economic climate, where consumers are feeling the impact from cost of living price increases, we are extremely proud to have kept our prices flat year-on-year. Although our products are not as essential as food or energy, they are the products that consumers and their families use on a daily basis - the kettles and toasters that make breakfast possible; the scales and kitchen accessories that help bake a cake for the family; the air fryer used to cook dinner for the kids. Our products continue to be wanted and needed by millions of households, and this is why they are found in 80% of homes across the UK.

Our focus on providing beautiful and more sustainable products at a price that is appealing to both our retail customers and consumers has helped us maintain our position as a leading branded homeware supplier during times of household budgetary constraint. Our retail partners can earn an equivalent 'own label' margin whilst, at the same time, being able to take advantage of our world-class sourcing and logistical capabilities. Meanwhile, our consumers can purchase, at affordable prices, beautiful products which they are proud both to use and to have on display in their homes.

Whilst we are proud to keep our prices low, we retain the ability to increase selling prices. The mechanism by which this is achieved is through constant innovation and bringing new products to market. Each year we aim to introduce around 600 new products, which is approximately 20% of the total amount of products we sell. These new products enable a resetting of price, which allows us to maintain healthy, but fair gross margin levels.

While our products are already highly prevalent across UK households, we also have strong European ambitions. In FY23, we generated sales of £49.6m in Europe, up 1% from the previous year. However, as sales in the UK grew faster, our overall percentage of sales from Europe fell slightly from 32% in FY22 to 30% in FY23. We continue to believe that our products are as attractive to our retail partners and consumers in Europe as they are in the UK, and view the continent as a key growth driver for the business. We currently sell £1.72 of product per capita in the UK (population: c.67 million). If we can repeat just a fraction of that level of penetration in Europe (population: c.477 million), the financial effects would be transformational for our business. To capitalise on this huge potential, we took the decision during the year to relocate our European showroom to Paris, which we expect will open up opportunities with both French and pan-European retailers.

Our Cologne showroom enabled us to showcase the quality of our products to German retailers in their home territory, and was therefore very important in helping us to achieve traction and growth in that market.

## Chairman's introduction continued



As such, we have been able to win a number of large German retailers as customers across Europe, with German sales of £15.2m making up 30% of our sales into Europe. We regularly meet our German retail partners at their premises and at events, such as Ambiente, the largest consumer goods fair in Europe, so there is now less need for them to travel to our showroom. Therefore, as we look to increase our penetration with other large non-German retail customers, we took the decision to move our European showroom to a 16,500 sq. ft. space at the Homexpo Paris showroom complex, where the anchor tenant is JJA, one of France's largest home furnishing suppliers. The site, which is located near Charles de Gaulle airport, is not only convenient for hosting French retail partners, but also existing and potential customers from across Europe. To facilitate this international expansion plan, we have been delighted to welcome our new sales team in Paris, who complement our other sales teams in Germany and Poland.

While our outlook is increasingly international, the heart of Ultimate Products will always be Oldham, which we have been proud to call home since our inception. Our commitment to Oldham, from where we continue to recruit the majority of our talent, was reaffirmed during the year with the renewal of our lease at Heron Mill, our 240,000 sq. ft. warehousing facility.

### Name Change

For many years, the Group has traded under the name Ultimate Products, while the Company name UP Global Sourcing Holdings plc failed to truly reflect who we are. We spoke earlier of two easily overlooked words in our purpose - 'every home' - and now emphasise the two words that are most fundamental to who we are: 'Ultimate Products'.

Our purpose is to provide beautiful and more sustainable products to every home, and we are delighted to announce that, to better align with this purpose, the Company has been renamed Ultimate Products plc.

### Summary

FY23 has been a challenging year for the many retailers and consumers that we are proud to support; nonetheless, the Group has responded by remaining true to its core purpose, and this has led to a record financial performance. While this success is rooted in the resilient business model we have developed, it also depends on the huge daily efforts of our colleagues. They have once again met the challenges of the year with tenacity, creativity, and above all, passion. On behalf of all stakeholders, we thank them for all of the hard work they have undertaken over the past year.

We look to the future with optimism and excitement, knowing that we have a team of colleagues who will truly bring to life our UK and international strategy of developing our portfolio of beautiful and more sustainable brands.

**James McCarthy**  
Chairman

30 October 2023



## Chief Executive's review

# A resilient and scalable business

Our products are in 80% of UK homes and are used on a daily basis, and we've worked extremely hard to make sure that we're able to maintain affordable prices for all consumers.

Simon Showman  
Chief Executive Officer



### Our Brands

In line with our desire to be the 'Home of Brands', we have developed our portfolio of consumer goods brands to become true leaders in their respective categories. Our brand journey over the last five years has seen us pivot from a licence holder to a brand owner, giving the business a resilient core from which we can expand and grow. 89% of our revenues are now derived from brands which we either own (79%) or have on long-term licence (10%), which is up from 60% in 2018.

As a key part of this journey, we were delighted to welcome Tracy Carroll to the newly created role of Brand Director in December 2022. Tracy is enabling us to refine and focus the development of our portfolio of brands. Her first major project is the ongoing rebrand of our key Salter brand, which was successfully previewed at the Exclusively Homeware event in June 2023. We are delighted by the performance of Salter in the current year with its £66.6m of sales, representing a significant 39% step-up in the scale of what is the UK's oldest houseware brand.

In addition, we renewed our trademark licence agreement with Spectrum Brands, which grants us an exclusive licence to use the "Russell Hobbs" trademark in the United Kingdom, Europe, Australia and New Zealand for non-electrical kitchen and laundry products. The new agreement is on a rolling four-year basis, rather than the previous fixed-term arrangement. This change reduces the licencing risk, as the licence will always have four years to run. It also allows us to better focus on the long-term growth of the Russell Hobbs brand, which will increase the benefits of the partnership for both Spectrum Brands and Ultimate Products.

Finally, we have seen the highly successful relaunch of Petra, the German kitchen electrical brand, with sales surpassing £3m during the period. We have a tried and tested approach to reinvigorating and growing our heritage brands, of which Petra is just the latest, and most international, example.

### Our Strategic Pillars

As a business, we continue to diversify our customer base to mitigate risk and increase the predictability of our revenue. This year we have seen the benefits of this strategy in full effect. During a period of significant uncertainty around consumer sentiment, Group revenues increased 8% to £166.3m (FY22: £154.2m), a performance that was achieved with no overall price inflation, in order to keep our products at prices which are accessible to all consumers.

Online channels, which still represent a relatively small part of our diverse customer base, were the main driver of revenue growth, and more than offset the temporary weakness we have seen in other areas. In the first half of the year, retail customers were understandably cautious in the size of forward orders, given the macroeconomic environment and high stock levels carried over from the pandemic. As a result, sales to retailers fell 11% in H1 FY23 against the corresponding period in FY22. The second half of FY23 saw an easing in the level of overstocking and sales returned to growth, increasing 8% against the corresponding period in H2 FY22. Although overstocking and uncertainty regarding the consumer environment continue to hold back retail ordering, confidence is steadily returning.

## Chief Executive's review continued

# Responding to challenges



The exceptional 64% growth in FY23 online sales reverses the pattern seen in FY22, when, amidst a period of significant supply constraints, we made the strategic decision to prioritise orders made by our retail partners, meaning that sales through our online channels were necessarily constrained. Our online sales are mainly conducted through third-party websites such as Amazon and eBay, as well as through our own sites, Salter.com and Beldray.com. They have primarily been focused in the UK (FY23: 89% of online sales; FY22: 92%), where an optimised approach to third-party platforms helped to grow sales by £13.8m. We are now using the experience gained in the UK to expand our online capabilities in Europe, where online sales grew 115% to £4.3m, clearly demonstrating the potential for future growth.

### Our Product Categories

Our Small Domestic Appliances (SDA) category has grown strongly in the year, supported by buoyant consumer demand for energy efficient and money saving products. Part of this growth was in air fryers, where continued strong sales following the pre-Christmas boom appear to indicate that this product line has found a permanent place on kitchen counters. As always, it is newness in product that maintains Ultimate Products' strong market position, and we have been delighted to take our first orders for the Salter combined air fryer-microwave, which will open up the air fryer market to new consumers. Housewares have been hardest hit by retailer overstocking, with cookware in particular having seen a COVID-19 spike in sales, followed by a subsequent fall.

### Our Geographies

As noted, growth in the current year has primarily been in the UK, where online sales were up 60%, and sales to retail customers were flat at £78m. Sales growth in Europe was subdued, with sales increasing 1% to £49.6m. Within this we saw healthy growth in our online sales, which offset weakness in sales to European retailers who have not reduced overstocking as quickly as UK retailers. This performance reverses some of the strong growth we have seen, especially in Germany, which remains our largest overseas market. We continue to see the European market as a key area for long-term growth, demonstrated by our investment in a new European showroom in Paris.

Our showroom in Cologne was very successful in helping to build strong relationships with retail buyers at German discounters and supermarkets. These relationships are now sustained through attending events such as Ambiente, Europe's largest housewares show, and visiting the premises of our retail partners. Our relocation to Paris aims to replicate the success we have had in Germany with both French retailers and other European retailers for whom our new showroom, located near Charles de Gaulle airport, is easier to visit than Cologne.

Revenues in ROW declined from £4.2m in FY22 to £1.1m in FY23, as post-COVID overstocking impacted a key Australian customer. ROW remains a nascent part of the business, with a limited number of customers, which can inevitably lead to fluctuations in year-on-year revenue performance.

## Chief Executive's review continued

# Sustainable development

### Investment in Productivity

Despite seeing a dramatic increase in the inflationary environment, we are proud that we kept our products at affordable prices for every consumer, a decision that helped support our sales growth of 8%. Although we kept our prices consistent, as a business we are not immune to cost inflation. To hire and retain the best talent we need to ensure that our wages continue to be competitive and attractive. Despite these cost pressures we have been able to maintain our EBITDA operating margin at 12.2% and increase EBITDA by 8% to a record £20.2m.

We achieved this through the strength of our operating model, which is constantly being fine-tuned to optimise productivity, and this approach is directly linked to our ability to consistently provide the best service to our customers. We have therefore been relentless in developing the systems that underpin our business and, in recent years, have established a company culture that is intensely focused on driving productivity through automation. This focus has driven gross profit per employee from £83k in FY18 to £113k in FY23.

During the year we embarked on the automation of hundreds of tasks across the business, which is saving over 1,000 hours of employee time every week. Our approach to automation is best characterised as a bottom-up approach by which our teams will come to us with problems, which our process development team will then solve. This demand-driven approach has allowed us to concentrate our efforts on the tasks that cause the most friction within our business. Solving them with automation increases productivity and improves accuracy, resulting in enhanced operating margins, an even better customer experience, and a more engaged workforce.

### ESG Strategy Launch

Doing the right thing has always been at the core of everything that we do. As we continue to grow, we are acutely aware that our efforts and ambitions should be underpinned by a clear sense of responsibility and purpose. This ambition is reflected in our comprehensive ESG strategy which is at the heart of all company activity and ensures that our efforts and ambitions have a clear sense of direction to unite our colleagues and supply partners. We are cognisant of the impact that our business has on the world in which we operate, and we know that, to ensure long-term success, we must become a more sustainable business.

We also recognise that our retail partners need our help to achieve their own ESG ambitions, where actions often involve immense scale and complexity. To facilitate this, we are working to ensure that the necessary infrastructure is in place to support our retail partners in going the extra mile, while continuing to provide them with an outstanding service. Being an ESG front runner is not only the right thing to do but will also enhance our competitive and commercial position.

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

**Simon Showman**  
Chief Executive Officer

30 October 2023

### Our Brands

	FY23 £'000	FY22 £'000	Change	%	FY23 %	FY22 %
Salter	66,599	48,080	18,519	38.5%	40.0%	31.2%
Beldray	35,031	39,950	(4,919)	-12.3%	21.1%	25.9%
Russell Hobbs (licensed)	16,458	20,165	(3,707)	-18.4%	9.9%	13.1%
Progress	7,425	8,287	(862)	-10.4%	4.5%	5.4%
Petra	3,194	–	3,194	–	1.9%	0.0%
Kleeneze	3,378	2,835	543	19.2%	2.0%	1.8%
<b>Premier Brands</b>	<b>132,085</b>	<b>119,317</b>	<b>12,768</b>	<b>10.7%</b>	<b>77.5%</b>	<b>77.4%</b>
Other proprietary brands	16,036	17,032	(996)	-5.8%	11.6%	11.0%
Own label and other	18,194	17,842	352	2.0%	10.9%	11.6%
<b>Total</b>	<b>166,315</b>	<b>154,191</b>	<b>12,124</b>	<b>7.9%</b>	<b>100.0%</b>	<b>100.0%</b>

### Our Strategic Pillars

	FY23 £'000	FY22 £'000	Change	%	FY23 %	FY22 %
Supermarkets	49,116	51,523	(2,407)	-4.7%	29.5%	33.4%
Discount retailers	44,593	48,126	(3,533)	-7.3%	26.8%	31.2%
Online channels	41,449	25,321	16,128	63.7%	24.9%	16.4%
Multiple-store retailers	22,178	17,312	4,866	28.1%	13.3%	11.2%
Other	8,979	11,909	(2,930)	-24.6%	5.4%	7.7%
<b>Total</b>	<b>166,315</b>	<b>154,191</b>	<b>12,124</b>	<b>7.9%</b>	<b>100.0%</b>	<b>100.0%</b>

### Our Product Categories

	FY23 £'000	FY22 £'000	Change	%	FY23 %	FY22 %
Small Domestic Appliances	66,813	57,032	9,781	17.2%	40.2%	37.0%
Housewares	48,008	54,539	(6,531)	-12.0%	28.9%	35.4%
Laundry	18,163	14,799	3,364	22.7%	10.9%	9.6%
Audio	15,545	12,907	2,638	20.4%	9.3%	8.4%
Heating & Cooling	6,214	5,870	344	5.9%	3.7%	3.8%
Others	11,572	9,044	2,528	28.0%	7.0%	5.9%
<b>Total</b>	<b>166,315</b>	<b>154,191</b>	<b>12,124</b>	<b>7.9%</b>	<b>100.0%</b>	<b>100.0%</b>

### Our Geographies

	FY23 £'000	FY22 £'000	Change	%	FY23 %	FY22 %
UK	115,580	101,050	14,530	14%	69.5%	65.5%
Europe	49,645	48,931	714	1%	29.8%	31.7%
ROW	1,090	4,210	(3,120)	-74%	0.7%	2.7%
<b>Total</b>	<b>166,315</b>	<b>154,191</b>	<b>12,124</b>	<b>7.9%</b>	<b>100.0%</b>	<b>100.0%</b>



## Business model

# A model for growth

### We develop brands

Spotting trends early, being innovative and developing new and existing products at pace is key for providing competitively priced, and more sustainable product ranges that consumers want in their homes.

### We source beautiful products

Our buying teams derive products from 16 countries with over 95% coming from China. We have a sourcing office in Guangzhou in China which keeps us close to our suppliers. To protect our brands and ensure the quality and sustainability of what we source, we have in-house teams of quality assurance professionals.

### We protect our brands

We are privileged to own Salter, the UK's oldest housewares brand, established in 1760, and Beldray, established in 1872. We also have a wide portfolio of other brands, such as Petra, Progress and Kleeneze. We are passionate that the products we source reflect the prestige of these brands. Through our innovation and marketing we build and grow awareness of these brands.

### What we do...

### We sell to retailers & consumers

Our UK and European sales teams sell to over 300 retailers in 45 countries. In addition, we have a growing online business with direct to consumer offering. Supply channels include bespoke forward orders as FOB or landed, along with a growing direct-from-stock option.

### We distribute globally

Our supply chain team ensure smooth service for our customers, helping navigate the significant headwinds that have been experienced in shipping and haulage through our deep and long-lasting relationship with trusted partners. We have developed systems and applications that can manage the complexity of supplying retail and online in a cost-effective and scalable manner.

### We invest in people & productivity

It is our people that drive our business model, from product development, to buying, to design, to QA, to shipping. We are, therefore, proud of our investment in our people and our sustainability. In particular, our graduate development scheme has been key in building our success.

### We grow profits

At the centre of our strategy is our desire to become the leading supplier of quality homeware products with an ambition to be in every home across the UK and Europe; this leads to us increasing sales & profits, and growing value for our shareholders.

### Our priorities when pursuing our strategy are:

To generate **repeat** business and through this deliver increased revenue and higher operating margins.

To have a **unique** product offering achieved through innovation and a focus on our brands.

To have best-in-class **execution** in everything that we do.

To be **focused** on our four key growth drivers.

To exercise strong **financial disciplines** in management of operating costs, cash and risk.

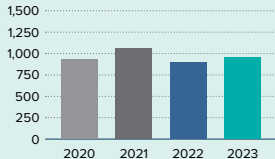
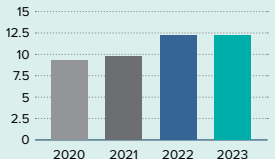
## Strategic goals

**Our purpose is to provide beautiful and more sustainable products for every home, and our strategy is to develop our portfolio of consumer goods brands, lead by Salter, Beldray and Petra.**

Strategy	Goals	Progress	Focus for next year	Performance										
<b>Growing our international sales reach</b>	<p>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. Currently, Europe is an important part of Ultimate Products' strategy, and the Group has a number of strong and growing relationships with leading supermarkets in the region.</p> <p>We currently sell £1.72 of product per head in the UK, in Europe this is only £0.10. If we achieved the same level of penetration with European consumers as we have with UK consumers, our total sales could reach £1bn.</p> <p>Our medium term goal is to expand our geographical sales reach so that international sales make up 50% of our total revenues.</p>	<p>In the current year we successfully relaunched the Petra brand, reaching over £3m of sales.</p> <p>Our overall level of International sales fell by 4.5% to £50.7m, meaning that their share of total sales fell to 31% - a disappointing result. This was primarily due to a fall in sales to our Australian distributor. In the strategically important European market, sales grew by just 1%, due to continuing overstocking by European (particularly German) retailers.</p> <p>During the year, we took the decision to relocate our European showroom from Cologne to Paris, as we look to grow our traction with large non-German retailed customers.</p>	<p>Our focus for FY24 is to build relations with French and other European retailers. The sighting of our new showroom near Charles de Gaulle airport means that it is convenient for hosting both French retail partners and also potential customers from across Europe. This will allow our new French sales team to showcase our affordable branded product ranges to retail buyers from across Europe and build long-lasting relationships with them, following the model we have used with UK discounters and supermarkets.</p> <p>During the current year, European sales have been held back due to caution by retailers, particularly German supermarkets, who have not reduced overstocking as quickly as UK retailers. We expect this pattern to start to reverse once overstocks have been reduced.</p> <p>In addition, we will look to grow brand awareness with local consumers by offering our products online using platforms such as Amazon and eBay. This dual approach to growing online helps to grow awareness of our brands by being present in both trusted retail outlets, and websites.</p>	<p><b>International sales £'m</b></p> <table><tr><th>Year</th><th>International sales (£'m)</th></tr><tr><td>2020</td><td>42,000</td></tr><tr><td>2021</td><td>45,000</td></tr><tr><td>2022</td><td>50,700</td></tr><tr><td>2023</td><td>50,700</td></tr></table>	Year	International sales (£'m)	2020	42,000	2021	45,000	2022	50,700	2023	50,700
Year	International sales (£'m)													
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2022	50,700													
2023	50,700													
<b>Expanding our online offering</b>	<p>We have been very successful in growing our nascent online business over the past 5 years. Our objective has been to grow this business to 30% of revenue over the medium to long-term, based on the fact that online accounts for over 25% of non-food retail sales in the UK.</p> <p>In addition, we believe that there is further scope for growth via a roll-out across selected international platforms.</p>	<p>The online business has seen exceptional growth in the current year, growing by 64% to £41.4m, and now makes up 24.9% of our sales (FY22: 16.4%), and is well on its way to achieving our target within the current year.</p>	<p>Although we do not expect the online business to be able to continue at its initial rapid rate of growth, there continues to be scope for growing our online offering in selected overseas markets. Our online overseas business is currently just 10% of our online revenues, but grew by 115% in the current year to £4.3m.</p> <p>In addition, we continue to invest in our own online platforms (Salter.com, Beldray.com and Homeofbrands.com) and continue to explore selling our products on other online platforms to provide resilience against customer concentration on any one platform.</p>	<p><b>Online sales £'m</b></p> <table><tr><th>Year</th><th>Online sales (£'m)</th></tr><tr><td>2020</td><td>16,000</td></tr><tr><td>2021</td><td>20,000</td></tr><tr><td>2022</td><td>25,000</td></tr><tr><td>2023</td><td>41,400</td></tr></table>	Year	Online sales (£'m)	2020	16,000	2021	20,000	2022	25,000	2023	41,400
Year	Online sales (£'m)													
2020	16,000													
2021	20,000													
2022	25,000													
2023	41,400													



# Strategic goals continued

Strategic pillars	Goals	Progress	Focus for next year	Performance										
Refining our brand and product development to protect and grow the business	<p>Over the past five years we have pivoted from being a licence holder to a brand owner, which gives us the responsibility of curating heritage brands.</p>	<p>During the current year, we have brought a similar level of products to market (967), as many of these were already in the pipeline when we took our decision to refine our product development.</p>	<p>Our best known and most valuable brand is Salter. During FY24, we will be fully refreshing the brand. With over 260 years of heritage, this refresh of the brand has been based on careful evaluation of the brand's equity, brand's health, and consumer's perception.</p>	<p><b>New products developed</b></p>  <table><tr><th>Year</th><th>New products developed</th></tr><tr><td>2020</td><td>900</td></tr><tr><td>2021</td><td>1,100</td></tr><tr><td>2022</td><td>900</td></tr><tr><td>2023</td><td>1,000</td></tr></table>	Year	New products developed	2020	900	2021	1,100	2022	900	2023	1,000
	Year	New products developed												
2020	900													
2021	1,100													
2022	900													
2023	1,000													
<p>In addition, one of the benefits of concentrating growth in international and online sales is the extension of product life, as current product lines can be sold to new consumers through different channels. This means that we can tighten our product development process to bring a better, refined number of products to market.</p>	<p>However, the hiring of our first Brand Director is allowing us to refine the development of our portfolio of brands in a more strategically focused manner.</p>	<p>Our medium-term plan is to develop a reducing number of product lines each year, with the aim to reduce yearly product cycle from around a third to around a quarter.</p>												
Investment in our systems and processes	<p>Our position in the supply chain between manufacturers and demanding retailers brings complexity. Our systems and processes allow us to manage this complexity for our customers.</p>	<p>In the current year, we have made strong progress in terms of automating tasks and using the technology of robotics and AI to drive productivity. Over the year we have automated 451 tasks, saving around 1,021 hours a week, which in turn creates over £500,000 of cost savings.</p>	<p>We will continue on our journey on focusing on automating tasks on the basis of prioritising the tasks which provide the greatest level of return for the business in terms of people hours saved. Our medium term goal is to complete the robotisation of 1,000 tasks in the current calendar year.</p>	<p><b>Operating margin %</b></p>  <table><tr><th>Year</th><th>Operating margin %</th></tr><tr><td>2020</td><td>9.5</td></tr><tr><td>2021</td><td>10</td></tr><tr><td>2022</td><td>12.5</td></tr><tr><td>2023</td><td>13</td></tr></table>	Year	Operating margin %	2020	9.5	2021	10	2022	12.5	2023	13
	Year	Operating margin %												
2020	9.5													
2021	10													
2022	12.5													
2023	13													
<p>Therefore, a key part of the Group's strategy for developing our business is the automation of as many of our processes and interactions as possible. This will not only enhance customer service and thereby increase sales, but also improve corporate efficiency, reducing costs and increasing profitability.</p>														



## Strategy in action: Re-branding of Salter

### The NEW Salter is on its weigh

As the newly appointed Brand Director for Ultimate Products I was delighted and honoured to have the opportunity to be working on a variety of well-respected, quality housewares brands with hundreds of years of heritage – **it's a marketer's dream.**

I was excited to get started on evaluating the brands. In an ever-changing world and fast-paced digital age, brands must be highly adaptive to the evolving conditions to keep up with the competition.

My first priority, the Salter brand, was acquired in 2021. With over 260 years of heritage, it was imperative that we evaluated the brand's equity, brand's health, and consumers' perception. This formed the foundation to build our new brand strategy.

### A brand is not just a logo, that's just the tip of the iceberg!

**Below the surface:** The perceived brand. Consumers' perceptions and experiences heavily influence sales decisions and affect the success of the brand. There are no hiding places, the perception of brands is the emotional experience, strengthened or weakened through every interaction at every touchpoint.

Our research informed us that our consumers' perception of Salter is, in the majority, extremely positive. This research provided important drivers to help formulate the direction for our new brand strategy.

Through all Salter touchpoints we are enhancing the positive sentiments:

### 1. Reliability and Trust

Top sentiments from our research.

### 2. Joy and Happiness

Lose the clinical perception which has been adopted through our iconic scales.

### 3. Expertise and Knowledge

Trusted brand with over 260 years of experience.

### 4. Friendly and Down to earth

The best friend you can rely upon when you need advice.

**On the surface:** The Visible brand.

The logo identity and branding system is crucial for selling, marketing, and promoting a consistent image. Our research confirmed that there is an abundance of equity in the Salter brand. This led to our decision to evolve the logo rather than do a complete redesign.

**SALTER®**

**SALTER®**  
1760



**Our brand values will be lived by the whole team every day.**

**Tracy Carroll**  
Brand Director



## Strategy in action: Re-branding of Salter continued

### Salter is an Expert in everyday

Our new tagline summarises Salter's purpose and values in a creative way. It cleverly combines reliability and trust messaging with the suggestion of down-to-earth and familiarity too.



### Consistency is Key

Now we have our new brand strategy in progress, we need to install consistency. To build Salter into an even stronger brand, we must deliver a positive and consistent emotional experience. The more we do this, the more people come to rely on us and, most importantly, trust us.

We have turned over every stone to ensure we have a creative solution for all our touchpoints, for example packaging, social media, POS, in-store branding, marketing materials and online listings.

### Living our brands each and every day

It doesn't stop there, everyone in the business will contribute to help build Salter. Our brand values and proposition will be lived by the whole team, whatever their role, each and every day.



**S**atisfaction  
**A**ccessibility  
**L**ove  
**T**rust  
**E**xpertise  
**R**eliable

After the insecurity of the last few years, people are desperate for authenticity, transparency, and honesty from the brands they interact with. Authenticity and Trust are at the heart of what we do at Salter. Our team's approach to this brand quality helps build our brand loyalty.

The rebrand is just the very start of a never-ending journey for Salter, we need to continue to be consistent and to protect our precious brand in order to build and grow Salter in line with our vision:

**To be the world's brand of choice for all consumers who are looking for great quality home products that they can trust.**

## Strategy in action: Culture of continuous improvement

Our culture of continuous improvement has been instrumental in delivering record EBITDA of £20.2m, and helping us increase operating margins from 8.2% in 2018 to 12.2% in the current year.

**Andrew Gossage**  
Managing Director



Over the past six years, our business has increased revenue by an average of 14% per annum from £88m to £166m, and at the same time we have increased our adjusted EBITDA by 31% per annum from £7m to a record £20m. We have achieved this through the strength of our operating model, where we constantly seek to improve our productivity. A culture of continuous improvement.

This is intrinsically linked in our ability to grow sales by consistently providing the best service to our customers. We have, therefore, been relentless in developing our systems and, in recent years, have established an intense company focus on driving productivity through automation. This focus has driven gross margin per head from £83k/head in FY18 to £113k/head in FY23.

During the current year, we have embarked on the automation of hundreds of low skill, low reward tasks increasing the capacity of our workforce to focus on more high pay off activities. This is best characterised as a bottom-up approach by which our teams will come to us with problems and suggestions, which our process development team will then solve. This approach works because of the strength of our work force. We take pride on being a talent business that offers continuous improvement to its colleagues through a multitude of opportunities across all areas of the business.

451 Robotics  
tasks  
completed



1,021 hours  
saved each  
week



£587,000  
estimated  
annual savings



## Strategy in action: Culture of continuous improvement continued



Our graduate scheme aims to bring the best and brightest talent into the business, and train them. This workforce is unafraid to challenge the status quo, and the way in which things are done.

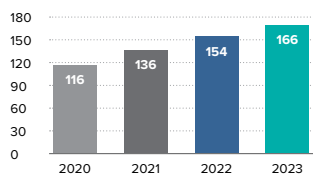
During FY23, we have increased hours spent training our colleagues, with average training time per person increasing from 10 to 15 hours. We have focused that time on upskilling each person to add greater value to the roles which they are undertaking and ensuring they can effectively continue their careers whilst meeting the evolving operational needs of the business.

Our graduate scheme aims to bring the best and brightest talent into the business, and train them. This workforce is unafraid to challenge the status quo, and the way in which things are done.

This mindset is encouraged, as it allows us to nurture a culture of continuous improvement. This demand-driven approach has allowed us to concentrate our efforts on the tasks that cause the most friction within our business. By solving the issues raised with automation, we are able to increase productivity and improve accuracy. This results in enhanced operating margins, an even better customer experience, and an engaged workforce. The enhanced operating margins enable us to keep our pricing at a level which is attractive to our retail partners and consumers, but also allows us to invest in higher salaries for our people to attract and retain talent. Finally, the enhanced operating margins lead to higher profits for our shareholders as the business grows.

## Key performance indicators

### Revenue £m



Change:

**+8%**

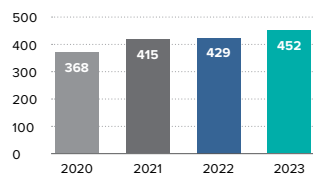
#### Description:

The revenue in the period.

#### Performance:

Revenue is up 8% in the period, and has been achieved with no overall price inflation to keep our products at prices affordable to all consumers. The growth has been underpinned by strong growth online, with revenues increasing 64% to £41.4m.

### Sales per Head £'000



Change:

**+5%**

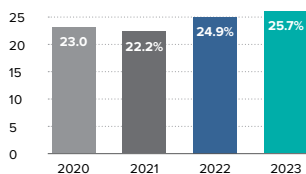
#### Description:

Revenue for the period divided by the average number of employees & relevant temporary staff in the period.

#### Performance:

Sales per head has increased by 5%, with the increases in productivity of our people being a clear mark of our commitment to continuous improvement, with the measure having increased from £368k per head in 2020 to £452k per head this year.

### Gross margin %



Change:

**+4%**

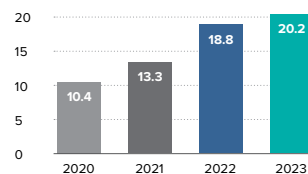
#### Description:

Gross profit for the period divided by revenue for the period.

#### Performance:

GM% has risen to 25.7%, driven by online growth, where we tend to earn a slightly higher margin than with sales to retailers, but supported by the fall in global shipping rates.

### Adjusted EBITDA £m



Change:

**+8%**

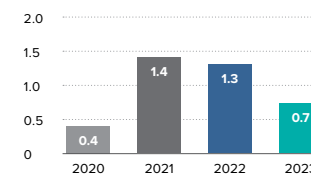
#### Description:

Earnings before interest, tax, depreciation and amortisation, excluding charges for share-based payments and other non-underlying charges.

#### Performance:

Adjusted EBITDA has increased step-in-step with revenue by 8%, with the inflationary pressures we have experienced in our costs line being offset by productivity gains.

### Gearing ratio



Change:

**-46%**

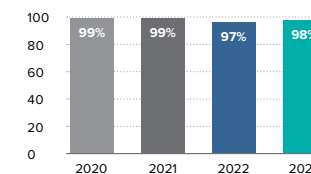
#### Description:

Net bank debt at the end of the period divided by underlying EBITDA for the period.

#### Performance:

Gearing ratio has decreased from 1.3\* to 0.7\* through careful management of working capital. This lower gearing ratio will help to mitigate any negative effects of the increase in interest rates.

### On Time Delivery %



Change:

**+1%**

#### Description:

Number of orders from retailers delivered on time in the period divided by the total number of orders delivered to retailers in the period.

#### Performance:

Our delivery performance to our retail customers has started to return to its former high level, following a fall in the previous year caused by the global shipping crisis.

## Environmental, Social and Governance Report

# Making ESG at the heart of everything we do

**Ultimate Products has spent over 20 years providing “beautiful products for every home” and our values and culture are built upon ethical practices, continuous improvement, harnessing talent and striving to do the right thing within its business, its stakeholders and the local community.**

Last year, we launched our ESG strategy which aligned the great work our people do into a coordinated and comprehensive roadmap to achieve our ambitions around our people, our community and becoming a more environmentally sustainable business for the future.

Having communicated this to our wider stakeholders, this year has been about embedding a more strategic approach to our ESG work, aligning it to our business model (explained in more detail on page 10) and bringing it into the heart of what we do. This has included engaging further with our external partners to set expectations, align goals with the aim of achieving our long-term targets to see the real changes we are aspiring to achieve.

An update on the great work completed on our journey this year against our non-financial targets is detailed further in this report.

Our ESG Committee, with oversight from the Main Board, is responsible for keeping the Company on course to achieve the strategic aims and targets set and maintain governance oversight of material ESG issues, along with consideration of stakeholder feedback and external market conditions.

This year, the ESG Committee has completed a review of the ESG management structure, the Company's ESG targets, focus areas and materiality assessment to determine whether they remain relevant or if refinement is required. Overall, the Committee believes the current focus areas and Non-Financial targets are relevant and should continue, with the exception of our commitment to reducing plastic packaging by 50%. The Company has already successfully achieved this target two years before its target date of 2025 and therefore the Committee is finalising a new stretch target in this area for our next financial year, which will be communicated to stakeholders in due course.

An assessment of our ESG structure was completed and determined fit for purpose. However, it was identified that as product packaging is a key aspect of our environmental focus areas, a senior representative from our Brand/artwork department will be required to join the ESG Committee as an ESG lead in the coming years as the business continues to grow and evolve. A suitable candidate will be identified and implemented within the next financial year. The Company has now introduced ESG-related objectives within the annual bonus arrangements of key members of the Operating Board and ESG Committee to help drive positive change. This decision will be reviewed to determine whether ESG-related objectives should be included in more wider bonus scheme initiatives.

Our colleague committees continue to add value through idea generation and implementation of key actions within our day-to-day operations.





## Environmental, Social and Governance Report continued

### Reviewing our Materiality and contribution to UN Sustainability Goals

The Company has assessed which of the United Nations 17 Sustainable Development Goals (UNSDGs) were relevant to the business and which our actions could directly and positively contribute towards. These are detailed below.

A review was completed this year and it was determined that these top five materiality concerns are still valid and UNSDGs were still relevant and remain aligned to our strategy.

It is the intention of the ESG Committee to complete a review of these two areas every two years as part of the Committee's responsibilities as this is the most relevant timeframe to the business as we continue to grow and ESG regulation evolves.



### Working on Shared Goals with Our Customers

Where possible, our aim is to support our retail customers by aligning our ESG work and targets to provide a transparent and best-in-class service, an ESG front runner, whilst enhancing our reputation and competitive position.

As such, a representative of our ESG Committee now attends key retail customer meetings to present our ESG strategy to senior decision makers, share environmental data, discuss opportunities for alignment and gain feedback, enhancing our service and sense of shared partnership. Recently these meetings have been focused on our main UK retail customers and will expand into our European retail base in the coming years as relationships strengthen.

**Our commitment to Net Zero will be challenging, especially within our wider supply chain. However, our reporting software will give us insight to engage with our partners on effective solutions to make the positive changes needed.**

**Tony Pole**  
Process Development Director

## Materiality

In 2021 the Company completed a materiality assessment (using the SASB Materiality Map) which identified a top ten list of issues within the Company's business model perceived as having the largest negative impact. These issues were overlaid with what are seen as areas of the biggest opportunity for positive change creating a top five:

1. The Energy/CO2 consumption in our operations and wider supply chain
2. Product packaging
3. Product life cycle and design
4. Product quality
5. Workforce diversity and inclusion



# Environmental, Social and Governance Report continued

## Non-financial KPIs and targets

In support of our commitments, we measure a range of non-financial KPIs, as set out in the table below, that have been reassessed and refined this year to ensure greater focus on our material ESG issues, whilst also meeting our aim of supporting our retail customers through greater alignment to their ambitions. We have set most of our target dates within an initial 5–10-year period which we believe are achievable, but also allow flexibility to adapt these as our business grows, evolves and market conditions alter.

Focus Areas	KPIs
<b>Aim: To Provide Beautiful and More Sustainable Products</b>	
<ul style="list-style-type: none"> <li>Product packaging</li> <li>Product quality &amp; life span</li> <li>Product end of life</li> <li>Consumer education</li> </ul>	<p><b>Product Packaging</b></p> <p><b>Plastic</b></p> <ul style="list-style-type: none"> <li>Reduce plastic packaging by 50% and maintain by 2025 - Completed</li> <li>100% of remaining plastic packaging to be recyclable or reusable by 2025</li> </ul> <p><b>Paper</b></p> <ul style="list-style-type: none"> <li>100% of card and paper product packaging to be FSC-certified by 2027</li> <li>100% of cardboard and paper product packaging to be 100% recyclable by 2025</li> <li>Remove/reduce lamination on paper product packaging by 2025</li> </ul> <p><b>Product Quality</b></p> <ul style="list-style-type: none"> <li>To maintain an average Amazon rating of 4.2 or above for all live products</li> </ul> <p><b>Materials</b></p> <ul style="list-style-type: none"> <li>100% of wooden products/components to be FSC-certified by 2027</li> </ul> <p><b>Lifespan &amp; End of Life</b></p> <ul style="list-style-type: none"> <li>To increase the number of SKUs with spare/replacement parts available for purchase</li> <li>To provide consumer education through an increase in use of QR codes for easy access to product care information, video guides and advice on responsible waste disposal</li> <li>To maintain a rate of below 5% for returns that go to WEEE waste or scrap</li> <li>The above targets apply to all products under the Group's brands only</li> </ul>

Focus Areas	KPIs
<b>Aim: To Have Net Zero Carbon Emissions from Manufacturing to Delivery</b>	
<ul style="list-style-type: none"> <li>Fuel &amp; Energy consumption in operations</li> <li>Far East Supplier base</li> <li>Logistic partners in supply chain</li> <li>Effective Carbon reporting</li> </ul>	<ul style="list-style-type: none"> <li>Net Zero for Scope 1 &amp; 2 by 2040</li> <li>Net Zero for Scope 3 by 2050</li> </ul>
<b>Aim: To be a Great Place to Work for All</b>	
<ul style="list-style-type: none"> <li>Diversity &amp; Inclusion</li> <li>Colleague Engagement</li> <li>Training &amp; Development</li> <li>Women in leadership</li> <li>Fair Pay</li> <li>Colleague well being</li> </ul>	<ul style="list-style-type: none"> <li>90% Great Place to Work score on engagement survey by 2025</li> <li>Gender balance in Leadership roles by 2030</li> <li>Maintain gender pay median at 5% differential or less</li> <li>40% of Board representation (Op or Main) to be female by 2025</li> <li>20% of the UK workforce to be from ethnic minorities by 2030</li> <li>An average of 40 training and development hours per person per year by 2030</li> </ul>
<b>Aim: To Ensure Safe Places to Work</b>	
<ul style="list-style-type: none"> <li>Ethical supplier base</li> <li>Modern slavery</li> <li>Safe working environments</li> </ul>	<ul style="list-style-type: none"> <li>100% Suppliers Audited by 2025</li> <li>Zero H&amp;S Reported Incidents on the Group's sites</li> <li>Zero Modern Slavery &amp; Bribery reports within the Group and our wider supply chain</li> </ul>
<b>Aim: To Support our Communities</b>	
<ul style="list-style-type: none"> <li>Support vulnerable people through local charities and initiatives</li> <li>Support local youth to gain access to education, further training, and employment</li> <li>Support local job opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Provide £150k of charity support and fundraising by 2035</li> <li>60% of UK workforce to live locally 2030</li> </ul>

## Environmental, Social and Governance Report – People

# We care about our people

Much of our success relates to our talented people and providing them with opportunities, an environment that is a great place to work for all and a culture of continuous improvement through training, development, and the use of technology to support them within their chosen careers. As such, our targets and focus areas are based around diversity and inclusion, people productivity through training and development, colleague well-being and fairness for all.

### Our progress so far:

	Women in Main Board Roles	Women in Board Roles	Gender in Leadership Roles* (F/M)	Global workforce by gender (F/M)
<b>Target</b>	<b>40%</b>	<b>40%</b>	<b>50/50</b>	<b>50/50</b>
<b>2023</b>	<b>25%</b>	<b>33.3%</b>	<b>43/57</b>	<b>51/49</b>
2022	25%	33.3%	37/63	51/49
Baseline	25%	15.4%	31/69	49/51

	Male	Female
<b>Total</b>	<b>196</b>	<b>203</b>
<b>Main Board</b>	6	2
<b>Operating Board</b>	4	3
Board direct reports	56	59
Employees	129	139

	Gender Pay Median	Training time per person per year	Factories Ethically Audited	Modern Slavery & Corruption Reports	Health & Safety Reported Incidents	Great Place to Work	UK Ethnic Minority Representation
<b>Target</b>	5% +/-	40 hours	100%	0	0	90%	20%
<b>2023</b>	<b>1.12%</b>	<b>15.0</b>	<b>96.0%</b>	<b>0</b>	<b>0</b>	<b>84%</b>	<b>18.7%</b>
2022	1.14%	9.7	95.0%	0	1	85%	17.3%
Baseline	0.54%	9.7	87.2%	0	0	82%	17.3%

\* Leadership roles are defined as Manager, Head of Department, Director or Main Board Director.

Data for the purpose of making diversity disclosures is collected through new-starter forms filled in by our employees, and is based on ONS categories.

### Investing in our Talented People

This year, under our culture of continuous improvement, we have taken steps to continue to attract the best local people and retain and enhance the many talented people we have, in order to enhance productivity, maintain a competitive advantage and ensure we are doing the right thing for our people. The Company has continued to improve its remuneration offer to remain competitive for its global workforce through regular salary reviews and providing opportunities for internal job promotions. As such, in FY23, we have promoted 40 of our colleagues into more senior positions, increased the salaries of our well-established Graduate Development Scheme and within our Distribution Centres to offer a commitment of all permanent roles starting at £11.50 per hour (or above), this currently being over £1 per hour above National Living Wage.

Following feedback from the 2022 colleague engagement survey, we have also consulted with our UK workforce on adapting their working pattern with the aim of striking a balance between maximising working productivity at key operational times in the week whilst offering our colleagues a suitable work life balance. The consultation process involving our colleague committee was successful enabling the UK office team to adapt the general work pattern to include additional time worked at the beginning of the week in order to offer a 3pm finish each Friday. The adaptation started in May 2023 for an initial six-month trial period with formal feedback on its success due in November 2023. However, so far, initial feedback has been very positive across all UK office teams.

We take pride on being a talent business that offers continuous improvement to its colleagues through a multitude of opportunities. Our average formal training time per person has increased from 9.7 hours to 15 this year through investment in best practice training. Significant time has also been invested in migrating our standard onboarding and job training subjects on to our digital 'SendMy' platform, with over 40 subjects now readily available for our colleagues to complete the training at a time that best suits them and freeing up supervisors and mentors to focus their time on other more important tasks.

### Diversity and Inclusion

To offer a great place to work for all, we believe there needs to be consideration for both gender and ethnicity to create a fair, diverse and inclusive workforce. Progress has been made on our gender balance in leadership positions as our female colleagues continue to be the greater portion of colleagues achieving promotions within the business, evidenced by 29 of the 40 promotions this year being females. We are confident that this increased pipeline of female leaders currently in more junior leadership positions will progress up the levels of management seniority, leading to a more diverse senior management team of the future.



## Environmental, Social and Governance Report – People continued

### Diversity and Inclusion continued

Although our women in Board roles percentage has not changed this year, we have identified two females within our Senior Management team who have the potential to reach the operating Board in the next 2-3 years. As such, both are currently working with personal development plans and gaining more senior experience by attendance to the Company strategy days and Board level committees and meetings.

We have also improved our policies and procedures relating to our female colleagues to encourage and retain women in our workplace and help support them with specific needs they may require continuing their careers in the Company. We have improved our maternity policy by offering more support to expectant mothers before, during and after their pregnancy and return to work. This includes increasing our maternity pay from statutory amounts to a maximum of 16 weeks full pay and introducing better structure around a returning mum's transition back to work by using an external partner who specialises in mentoring new mums from birth to return to work through support and guidance. We also recognise that managing the effects of the menopause at work is important for both employers and their colleagues as for those experiencing symptoms it can be a difficult and stressful time. As such, the Company introduced a new policy around menopause support that also includes access to specialised help, support, and guidance from a qualified person.

We continue to successfully manage our gender pay median within our target threshold through fairness in our annual salary reviews, graduate development scheme and distribution centre pay structure whereby remuneration is based purely on the job role and/or length of service.

Under our recruit local initiative, the Company has refocused its recruitment and engagement efforts on targeting key areas of our local community in search for talent. This has been achieved through introducing key partnerships with local schools and educational institutions, along with increased community engagement through supporting key events linked to Oldham's ethnic minority residents (such as Eid in the Park) and holding our own onsite recruitment events, specifically for the people of Oldham. This increase in awareness within the ethnic minority community has assisted in filling job vacancies both at head office and in our local DCs.

**It's crucial we continue to suitably support, develop and reward our teams to ensure we retain our people which in turn will help continue to drive results.**

**Craig Holden**

Operations & HR Director

### Giving our People a Voice

The annual engagement survey continues to act as a voice for our growing workforce and a key method for assessing our colleagues' needs. Initiatives this year arising from the survey include:

- The change in work pattern noted earlier in this report
- The introduction of a new pension provider that offers increased contributions and wider benefits to our colleagues
- The modernisation of our China office to improve the general working environment and replicate aspects that are seen in our revamped head office which was completed in 2021
- An expansion of training and development opportunities within our distribution centre teams

### Colleague Well-being

In 2022, the Company launched a Well-being Committee that has a particular focus on ensuring the well-being of our global workforce is a priority for our business as the teams continue to expand and new challenges are being faced. The Committee identified two priority areas that were impacting on our team's well-being:

To support our colleagues with the cost-of-living crisis, the Company arranged a series of specialist workshops whereby representatives from HSBC could guide our colleagues on key financial matters, including effective household budgeting, financial planning, and access to other areas of financial support. In addition, the Company secured a series of bespoke discounts for our colleagues with local community businesses to help ease costs on general living expenses. Discounts covered areas around vehicle repairs and breakdowns, house repairs, building works and food costs. The Company also operates a staff discount scheme on our own products, enabling the entire workforce to purchase essential household goods at significantly discounted prices compared to the high street.

To support our colleagues with concerns over fitness, the Well-being Committee arranged a series of fitness activities throughout the year to encourage all people of all fitness levels to participate. Examples included planned walks in the countryside, fully expensed circuit training and yoga sessions onsite and the annual participation of the Manchester 10k run.

The Company also continues to have an Employee Assistance Programme (EAP) in place to ensure our global colleagues have access to confidential support across a multiple of subjects whenever they require.

## Environmental, Social and Governance Report – Community

# We care about our community



Our community work is integral to our core values and will continue to be a key focus for us going forward as we always strive to do the right thing. There are clear needs in our community around employment, providing opportunities for local youth and supporting vulnerable people; to ensure we have the greatest impact, our efforts have been re-focused on these areas to be the heart of what we do.

### Our progress so far:

	Charity Support & Fundraising	UK Workforce to Live Locally
<b>Target</b>	<b>£150k</b>	<b>60%</b>
<b>2023</b>	<b>£68,000</b>	<b>51.8%</b>
2022	£47,000	47.2%
Baseline	£10,000	49.4%

### Our Company Charity

Each year our UK colleagues are asked to submit a recommendation for a charity close to their heart, that the Group will support over the next financial year, following Board selection. This past year, we have supported our local foodbank, Oldham Foodbank, with financial aid, which has been fundraised by our staff through events such as the Manchester 10k, a sponsored hike, raffles, bake offs and more. We have also provided the foodbank with food donations through staff collections based on items that they needed, at a particular time, alongside offering the foodbank our time in volunteering hours.

This year, we have surpassed last year's total and have, again, had our most successful year by raising £21,000 for Oldham Foodbank, all going towards helping to provide food to local people in crisis.

In addition, our colleagues also donated 1660kg of food, feeding hundreds of people in our local community who were in emergency situations. The Company also authorised over 50 colleagues to spend time (nearly 200 hours) volunteering at the foodbank, either packing food parcels or delivering food parcels to families across the borough.

Our Company charity next year will be Keeping Our Girls Safe, a local charity based in Failsworth, working with children and young people to educate about unhealthy relationships, child sexual exploitation (CSE), grooming and risks. We have plans to support them through monetary donations, time through training sessions and mock interviews as well as stock donations.

## Environmental, Social and Governance Report – Community continued

### Our Wider Community Work

#### Positive Steps

This year, we have continued our relationship with Positive Steps, a local charitable organisation that delivers a range of targeted and integrated services for young people, adults and families across our local community. This year we have provided over £5k of funding which was granted through the continuation of 'Micro grants' which is a way of providing quick relief funding in order to reduce barriers to employment and give people equal opportunities when trying to secure work. We have also funded 105 bus passes to allow young people to travel to an interview as well as funding £2,200 worth of work clothing, such as suits and work boots.

#### Other Community Work

Over the last 12 months, we have made a conscious effort to reach out to our local community in order to help make a difference to those in need, even more so during the cost-of-living crisis. Having studied the community, Oldham's unemployment rate, alongside the rate of youth/BAME unemployment, are consistently above the averages of Greater Manchester and England, meaning there are clear needs around providing opportunities for these groups. In order to help improve these statistics, we made a conscious effort to focus on reaching out to young people and ethnic minorities. We have organised donations of household products to local community initiatives such as Greenhill Community Centre, Northern Lily, FreshBeLeaf, Fatima Women's and CHAI Project (Care, Help And Inspire). Products have also been donated to Oldham's Social Services and Family Services.

We have also remained an active sponsor in numerous charitable and fundraising events across the borough, including Oldham Business Awards, the Mayor's Ball, Eid in the Park, and Chadderton Juniors FC's fun day.

In order to reach out to the business community in Oldham, we have welcomed Ambassador for Business, Frank Rothwell, to our Manor Mill to discuss UP's future plans and how we can continue to make positive contributions to our local area. Our Group Operations and HR Director also held a talk with local businesses about the benefits of being a more environmentally sustainable business, hoping to inspire other local businesses to aspire to Net Zero along with us.

#### Providing Job Opportunities Locally

Offering job opportunities to our local community has been something we firmly believe in as the business continues to expand. Keeping employment local positively boosts the local economy and aids in our own staff retention. We have seen an increase in our performance this year due to:

- Expanding our UP-Academy recruitment model, which provides office job opportunities to those based locally and do not wish to continue their education at university. We have now established this scheme at North Chadderton high school and Blue Coat school.

- Introducing Graduate Apprenticeships as a route to employment with the Company, but currently offering these on an exclusive basis to those based locally to the Oldham area.
- Prioritising people based within local postcodes for recruitment assessment days and first interviewing for both our Distribution Centre and Office based roles.

To continue progress, next year we intend to introduce graduate placements and work experience opportunities exclusively to localised people and introduce an additional school under the UP-Academy model.





## Environmental, Social and Governance Report – Environment

# We care about the environment

As product is our purpose, this carries the greatest long-term environmental impact and climate-change risk. Our focus and targets have been aligned with the risks which have been identified by our Committee for TCFD as described on page 27.

### Our progress so far:

	Product packaging		Product quality	
	Reduce Plastic Packaging	FSC Certified Paper or Card Packaging	Amazon ratings	Wooden product FSC Certified
<b>Target</b>	<b>50%</b>	<b>100%</b>	<b>4.2</b>	<b>100%</b>
<b>2023</b>	<b>57.5%</b>	<b>20.0%</b>	<b>4.19</b>	<b>48.2%</b>
2022	53.0%	3.5%	4.21	54.3%
Baseline	0.0%	0.0%	4.11	0.1%

### Refining our Environmental Reporting

Having accurate data is critical in assessing our impact on the world to effectively adapt our actions to see positive change. New environmental regulation is continually being introduced that demands new data. This year, through continued engagement, our wider supply chain partners are becoming more accurate and sophisticated in capturing their own data, enabling us to cleanse and combine it with our own for reporting purposes through our Normative, carbon accounting platform.

The result of this continued improvement in data accuracy has led to us identifying our top 10 target areas within our Scope 3 (primarily our factory base and key logistic partners) to work with them in introducing necessary changes across a shared deadline.

One of the biggest changes in data is that of the reporting on our plastic packaging. Previously, we made the decision to report only on all our plastic packaging that we imported, excluding products we sourced but did not import on behalf of customers. However, to sit in line with the new Extended Producer Responsibility (EPR) legislation, we made the decision to capture all our branded packaging so that the figures are a true reflection of our total impact. As a result of this decision, it has had an impact on the previous reported figures as the level of data we are reporting on is much greater.

### Plastic Product Packaging

Our teams have continued to remove plastic where possible, and, where plastic is necessary, have been making the switch to recycled content. The challenge has been for the electrical products where the recycled content could scratch some high gloss items. However, we have been working with the factories to find alternative, paper-based packaging solutions.

Upon reviewing all the data against the baseline, we have now achieved 57.5% of all of our packaging content, ensuring less plastic is being used overall. It is our intention to increase a new stretch target for this area whilst maintaining our current performance.

### FSC

During FY23, we have pushed for FSC packaging for all new products brought to market. We have ensured that consideration of this is included at the initial stage of pricing to avoid any margin erosion. As we have generally been seeing overall cost price reductions due to materials, exchange rates and freight, we have used this opportunity to switch to FSC packaging without increasing overall prices to customers or consumers.

### Product Life Span – Increasing Spare or Replacement Product Parts

The business has focused on increasing the number of spare parts for products as this can have a material difference on their life span. We have collaborated to drive this target through assessing the most relevant products and ensuring spare parts are negotiated at the beginning of each new order. This has resulted in a 33% increase in this target this financial year.

### Our Journey to Net Zero

Our carbon accounting partner has been assisting the Company in refining our carbon data in order to understand how our operations and wider supply chain are impacting on the world. This has enabled us to identify our top 10 'hot spot' suppliers that are causing the most negative impact on the environment within our Scope 3 area, enabling us to engage with these supply chain partners and work together to achieve Net Zero in accordance with our target dates. Once plans are in place for the top 10, we will then move to the next 10, creating a more strategic approach to achieving our Net Zero aspirations under Scope 3.

The Company has also completed the following environmental improvements to our own sites and operations (Scope 1 and Scope 2) over recent years:

- Our main distribution centre has had LED, sensor lighting installed reducing electricity usage and all external windows have been replaced with UPVC alternatives, improving heat retention, and therefore reducing energy consumption overall.
- Our Far East and European offices have had LED, energy saving lighting throughout reducing electricity usage throughout.
- All sites have effective waste management including the separation of recyclable waste, WEEE waste and food.

## Environmental, Social and Governance Report – Environment continued

### Our Journey to Net Zero continued

Whilst the Company continues to seek new improvements to improve environmental change on our Net Zero journey, the Company has partnered up with Ecologi, an environmental conservation organisation who help businesses to plant trees and fund carbon projects to help towards positive climate action. To date we have funded the planting of 1,688,182 trees across eight projects and have supported the preventions of 3,814 tCO<sub>2</sub>e from being emitted through 14 verified carbon avoidance projects. We are now Ecologi's number one partner in regard to their plant a tree initiative.

Our head office is currently based in an iconic heritage Victorian mill in the heart of the Oldham community that contains over 250 of our colleagues and acts as a multi-purpose site including housing our office teams, UK showroom and warehousing storage for our distribution centre operations. Over the years, the site has seen significant investment as part of commitment to providing a great place to work, to maximise productivity and operational efficiency and also to achieve our Net Zero aspirations. Our commitment to Net Zero needs to start with a focus on our own operations where we have greater control to positively influence change. We believe it is essential to reach our net zero goal first with our Manor Mill, head office site in the coming years and let that create the blueprint for our future actions across our wider sites and operations. Therefore, there has been a greater focus on implementing environmental change at Manor Mill including positive improvements such as:

- Installing 1,150 solar panels at a cost of £385k, covering approximately 85% of Manor Mill's roof. It is anticipated that the panels will produce the Group up to 40% of Manor Mill's ongoing energy requirements and as a result, the expected payback period for the solar panels is approximately 3-4 years.
- Switching all lighting to LED, energy saving alternatives throughout the site and introducing sensorised lighting on all warehouse floors and communal areas to reduce electricity consumption.
- Replacing external wooden windows with more heat retaining alternatives in UPVC double-glazed windows throughout the site, reducing heat loss and energy consumption.
- Installing a more energy-efficient air conditioning and heat pump system to control the temperature of the 4th floor 1,000 sqm2 office space. This enables us to control and regulate the temperature more effectively, whilst offsetting the energy use of this system via the solar panels.
- Introducing a paper reduced working environment and increasing the use of technology to enable colleagues to cover their original needs of printing via other more environmentally friendly means.
- Switching our waste management provider to B&M Waste, who have been a carbon neutral organisation since 2011, actively help their customers with waste segregation initiatives and help turn waste into new raw materials, products and energy.
- Stopped the use of single use plastics onsite and instead provided our colleagues with free access to water bottles and filtered water onsite.

- Introduced an incentivised car sharing scheme reducing the number of colleague cars on the road.
- The implementation of instant hot water taps in our canteens, reducing the use of kettles and other boiling water appliances.

Although we are happy with the progress made onsite, we are fully aware there is more to do in order to hit our Net Zero target, and we have already identified a series of new actions that will be implemented over the course of the next few years. However, we have not currently identified a more environmentally friendly alternative to the gas heaters we currently use to heat the warehousing floors we have on the site, primarily due to the technology not being readily available. Therefore, the Company intends to offset this environmental impact through the Ecologi plant scheme initiative, making the Manor mill site Carbon neutral in the interim, until we have identified all solutions to make the site Net Zero.

### Case study

## China supply base

As part of our assessment of achieving Net Zero, our supply chain teams identified an issue with containers leaving our China supply base part-filled causing an increase in unnecessary transport use and cost.

As such, our team identified a solution in using a service, the Northern China Consolidation Warehouse (CFS warehouse) in Ningbo, whereby our orders are transported to this centre and consolidated into combined shipping containers saving on cost and the number of shipping containers and vehicles being used in the supply chain process. Since January 2023, the CFS warehouse has saved over 40MT of CO<sub>2</sub> and approx. £164k in shipping costs.

Following the success of the Northern CFS warehouse, our supply chain team has now secured a Southern version based in Shenzhen, that went live in early September 2023.



# TCFD and environmental reporting

## TCFD Reporting

Task Force on Climate-related Financial Disclosures (TCFD) is a framework for companies to report climate-related risks and opportunities. TCFD is structured into 11 supporting disclosure recommendations which span four key themes: Governance, Strategy, Risk Management and Metrics & Targets. In this climate-related financial disclosure, we aim to report in line with the requirements of Listing Rule 9.8.6R and the TCFD supporting recommendations.

With the impacts of climate change being increasingly felt around the world, we understand the importance of the role we can play to help reduce this. We have committed to reduce our GHG emissions within our operations by 2040 and within our wider supply chain by 2050, as part of the ambition of the Paris Climate Change Agreement. We are aware that climate change is going to have an impact on our business, presenting risks and opportunities over the short, medium, and long term.

Our business model relies on supplying products; the production, transport, packaging, use and disposal of these products have an inherently negative impact on the environment. However, our business model is technologically agnostic; our heritage brands have evolved over many years, with the products which we source and sell changing over time to meet the demands of both consumers and regulators. This flexibility of our business model will be key in our ability to mitigate risks and take advantage of opportunities as they arise.

## Governance

Our Board of Directors is responsible for oversight of our ESG initiatives and this includes climate-related risks and opportunities. The Board ensures action plans are embedded into the business strategy and future financial planning to mitigate climate-related risks and capitalise on climate-related opportunities. The Board considers the threat of climate change and has been actively involved in taking steps to address its potential impact through assigning day-to-day responsibilities to the Executive Directors. They have received a full ESG update twice during the current year, which included updates on progress made towards climate change targets during the period.

The Board is supported in this role by the ESG Committee which is chaired by Jill Easterbrook (NED), and includes Christine Adshead (NED) and Chris Dent (CFO) as members. The ESG Committee is in turn supported by a Committee for TCFD led by our CFO, Chris Dent, and an Environmental Committee led by Katie Maxwell, Trading Director, and Tony Pole, Process Development Director. The Committee for TCFD is responsible for the identification and assessment of risks, and reports into both the ESG and Audit & Risk Committees which are responsible for monitoring risks and overseeing progress against goals and targets for addressing climate-related issues. The Environment Committee is made up of executives and is responsible for the day-to-day management of environmental risks.

In addition, the Remuneration Committee has in the current year approved a bonus structure for senior management which includes targets related to the environmental goals which we have set ourselves as laid out on page 25.

## Strategy

The TCFD framework helps us to understand and manage the climate-related risks and opportunities we face. During the year, our Committee for TCFD, with support from the Environment Committee held our second annual scenario planning day at which we reviewed a number of different climate risks and opportunities which could impact our business model and strategy. In our considerations, we reviewed two different types of risk that we will face, and the potential opportunities that these could bring to our business: Transition risk and Physical risks. Transition risk as a result of moving to a low-carbon future may impact our business model through changing customer reference, changes in technology or government regulation. Physical risks include the higher risks of climate-related short-term extreme weather events such as flooding, or long-term physical changes which may result in permanent changes in topography.

We used the following scenarios and time horizons to understand our vulnerability to the impacts of climate change and how they vary over time:

## Financial Impact Range

	Revenue	Costs
High	>£10m	>£1m
Medium	>£5m	>£500k
Low	<£1m	<£100k

## Time Horizons

Time Period	Years	
Short	0 to 5 years	Aligned to our viability period planning
Medium	5 to 15 years	Medium-term transition risks are assumed to occur in this time scale
Long	15 to 30 years	Longer-term physical risks are assumed to occur in this time scale



## TCFD and environmental reporting continued

Risk Type	Classification	Time Horizon	Description	Financial Impact	Potential Mitigations
<b>Transition</b>	Policy & Legal	S M	Introduction of further plastic taxes, especially in relation to use of virgin plastics in products.	Medium direct increase to costs, which could lead to an increase in prices, which could in turn lead to lower revenues.	Redesign of products to use more sustainable and environmentally friendly materials. Each year we currently introduce around 900 new products to market, with an aim to reduce this number to 600. However, the aim is for these 600 new products to be more sustainable.  It is assumed that some costs could potentially be passed on to our customers and consumer to encourage purchase of lower emissions products.
<b>Transition</b>	Policy & Legal	M	Banning sales of products which incorporate non-sustainable materials (such as non-recyclable plastics).	Medium revenue loss/opportunity. The Group has the opportunity to be ahead of the market in terms of changing materials.	Redesign of products to use more sustainable and environmentally friendly materials. We are working with our suppliers to change the materials we use over the medium term.
<b>Transition</b>	Market	M	Consumer behaviour changes away from products using plastics, and non-essential products to concentrate on only essential and sustainable products.	High revenue loss potential, but a significant opportunity as we change our product mix over time.	Over the long-term, our product mix will change; currently we aim to introduce 600 new products each year out of the 3,000 we sell. As consumer habits change, we will change our product mix to reflect their changed priorities.
<b>Transition</b>	Reputation	S M	A failure to fully commit to moving to a low-carbon business model leads to reputational damage.	Consumers not using our products (revenue loss) employees not choosing to work for us (increased costs), and banks and investors not choosing to fund us.	Ensuring that we continue to commit to our ESG strategy, and that we continue to work with integrity in terms of our carbon journey.
<b>Physical</b>	Acute (2°C or lower)	M L	Increased likelihood of flooding and drought or other extreme weather events leading to reduction of production by supplying factories. Currently, our supply base has a geographical concentration in China which could have a higher risk of physical impact.	Increased costs of goods, and potential for low revenue loss.	Working with our suppliers to understand their risks, and to create climate adaption plans for them. Geographical diversification of suppliers to reduce risk from any given extreme weather events.
<b>Physical</b>	Chronic (2°C or higher)	L	Increased competition for basic resources due to extreme weather events leading to higher prices for essential goods, leading to lower demand for discretionary items.	High revenue loss as consumers move spending from discretionary to essential products.	Long-term diversification of revenue base, expanding worldwide to decrease reliance on any single geographical territory. Concentration of product suite on more essential sectors and on sustainable products.

Key: S Short-term M Medium-term L Long-term

## TCFD and environmental reporting continued

### Risk management

The steps we have taken to identify, assess and manage each climate-related issue have been based on our existing risk management process to ensure a consistent and efficient assessment and categorisation.

**Step 1 – Identifying the risks:** Our Committee for TCFD is responsible for identifying the risks within the business and is led by Chris Dent, our CFO, and Christine Adshead (NED). During the year, the Committee held its second scenario planning day with key senior management representing core functions of our businesses including IT, Buying, Supply chain and HR, at which we identified a number of different risks and opportunities for the business.

**Step 2 – Assessing the business impact:** We used climate scenario analysis to assess the impact of both physical and transition climate-related risks and opportunities on our operations. These findings were presented to the Audit & Risk Committee during September 2023.

**Step 3 – Classifying risks:** Each climate-related issue was classified using our rating system to highlight the implications of a risk occurring. This rating system considers the likelihood of a risk occurring, the potential impact of the risk, and the existence of any inherent mitigations, to provide an overall risk classification.

**Step 4 – Addressing the risk:** Our analysis shows that the likelihood of climate-related risks impacting our overall operations in a significant manner during the transition to a low carbon economy is low due to underlying flexibility of our business model being based on brands rather than being fixed to any certain products, materials or technology. Despite this resilience, further mitigating actions are being initiated to develop greater strategic resilience due to the greater level of risk the business is exposed to in relation to longer-term physical risks as they begin to impact our supply chains. The potential risk management options were appraised, and a risk management response was determined for each climate-related issue.

**Step 5 – Monitor risk:** We have embedded a climate change perspective into the ongoing assessment of our internal corporate risk register and will continue to review our risk management process. To ensure we are fully prepared for climate change, we will continue to embed annual climate scenario analyses into our existing risk management framework and financial planning processes to identify future risks and ensure adequate mitigation.

### Metrics and Targets

The greenhouse gas (GHG) statement below provides a summary of Ultimate Products' greenhouse gas (carbon) emissions each year from 1 August 2022 to 31 July 2023. It gives a summary of emissions from Scope 1 and 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.

		Baseline		2022		2023	
		tCO <sub>2</sub> e	tCO <sub>2</sub> e/ FTEE	tCO <sub>2</sub> e	tCO <sub>2</sub> e/ FTEE	tCO <sub>2</sub> e	tCO <sub>2</sub> e/ FTEE
Years							
Scope 1	266.16	288.28	0.97	111.98	0.31	92.69	0.24
% UK	100%			100%			
Scope 2	303.55	216.26	0.73	225.56	0.62	163.16	0.43
% UK	75.5%			75.5%			
Statutory total (Scope 1 & 2)		505.54	1.69	337.54	0.92	255.85	0.68
Statutory total in KWh (Scope 1 & 2)		1,868,434		1,736,686		1,304,443	
Full-time equivalent employee (FTEE)		298		365		379	

This year, we have seen a significant drop in our Scope 1 & 2 emissions due to the successful installation of 1,150 solar panels at Manor Mill at the end of FY22. During their first year of operation, they have supplied around 40% of Manor Mill's energy requirements and as a result, the expected cash payback period for the solar panels is approximately 3-4 years.

As a growing business, over the coming years, we shall also start to consider the use of science based targets (SBTs) where appropriate to the size and scope of our operation.

Through our normative carbon accounting platform, we are starting to be able to more accurately measure our Scope 3 CO<sub>2</sub> emissions and will look to include this data in future reports along with other means to report on our Scope 1 and Scope 2 emissions beyond SECR reporting. We intend to supply our Scope 3 data going forward, but this can be subject to change as we continue to refine the reporting of our wider supply chain as more accurate data becomes readily available. Our initial data estimates total Scope 3 emissions of 110,600 tCO<sub>2</sub>e (FY24: 153,400 tCO<sub>2</sub>e) representing over 99% of total emissions for the Group.

# TCFD and environmental reporting continued

## Assessment Parameters

	Offices
Baseline year	2019
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, 1 fleet vehicle and 16 grey fleet vehicles, 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 FTEE.

## TCFD Compliance Statement

In accordance with Listing Rule 9.8.6 R, we present our FY23 TCFD consistency index and confirm that we have, in this report, made climate-related financial disclosures for the year ending 31 July 2023 which are consistent with the TCFD Recommendations and Recommended Disclosures, apart from the disclosure under the Metrics and Targets recommendation (b). During the year, we have begun to more accurately measure our Scope 3 emissions. During the course of next year, we intend to review our Scope 3 model and refine the data, so that we anticipate being able to disclose in a manner fully consistent with the relevant TCFD recommendations in FY24.




## Section 172 statement

# Doing the right thing is at our core

Our Directors are bound by their duties under the Companies Act 2006 (the 'Act') to promote the success of the Company for the benefit of our shareholders as a whole, having regard to our other key stakeholders. We believe that in order to progress our strategy and achieve long term sustainable success, the Board must consider all stakeholders relevant to a decision and satisfy themselves that any decision upholds our culture of 'doing the right thing'. Our values, as set out on page 01, are key to how we do business and are closely aligned to the matters the Directors must consider as part of their Section 172 duties.

The Board recognises that stakeholder engagement is essential to understand what matters most to our stakeholders and the likely impact of any key decisions. 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. The Board is aware that in some situations, stakeholders' interests will be conflicted and they may have to prioritise interests. The Board, led by the Chairman, ensures that as part of its decision making process, the Directors assess the impact of the decision on our stakeholders and the likely consequences of any decision in the long term. Examples of some of the principal decisions taken by the Board during the year and an explanation of which factors the Directors had regard to when reaching such decisions, including those set out in Section 172(1)(a) to (f) of the Companies Act 2006, are set out on the next page.

Stakeholders	Importance to the Group	How we engage	Relevant Links
Employees	Our committed and dedicated employees are our most important resource. We aim to cultivate and maintain a positive working environment and provide learning and development opportunities, recognition and rewards.	<ul style="list-style-type: none"> <li>Employee Consultation Group</li> <li>People engagement survey</li> <li>SAYE and PSP schemes</li> <li>Ask initiative where different departments present their purpose to the wider Company</li> <li>Continuing development of our people through formal and informal training, with the graduate development scheme being at the heart of our employee strategy</li> </ul>	 ESG Report on pages 18 to 30
Shareholders & lenders	Our shareholders support the long-term growth of the Group. We rely on them to finance our development and growth plans. Engaging with them regularly to communicate progress, understand their perspectives, discuss long-term issues and ensure feedback is taken into account is critical to the long-term success of the Group.	<ul style="list-style-type: none"> <li>Annual Report, Interim Report, trading updates</li> <li>Regular meetings with institutions and analysts</li> <li>Regular calls and meetings with our lenders</li> <li>Use of Equity Development to engage with retail investors who may not be able to access institutional analysis</li> <li>Attending of investors conferences such as Mello to meet with current and potential retail investors</li> </ul>	
Customers	We are passionate about providing the highest possible customer service. Understanding the needs of our customers, evaluating our performance delivery against KPIs and evaluating feedback helps us to continually improve.	<ul style="list-style-type: none"> <li>Meeting at one of our showrooms in Oldham, Paris or Guangzhou where we can showcase our wide range of products and help them visualise how they may be presented in store</li> <li>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</li> <li>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</li> </ul>	
Suppliers	Our suppliers provide us with the highest possible quality of products and services. This allows us to deliver beautiful products to our consumers and a first class service to our customers.	<ul style="list-style-type: none"> <li>Our team of local sourcing, ethics and quality colleagues in China has allowed regular engagement with our suppliers</li> <li>We have high expectations of our suppliers but we recognise our responsibilities and commit to prompt payment according to agreed terms</li> <li>Regular reviews take place to ensure a supply chain free of slavery and human trafficking</li> </ul>	



## Section 172 statement continued

### Board decision-making

Board Decision	Directors' consideration of factors in accordance with S.172(1)
Opening our Paris showroom	During the year, the Board took the decision to move our European showroom from Cologne to Paris. Our Cologne showroom was important in helping us to achieve traction with German retailers, as it allowed us to showcase the quality of our products to them in their home territory. Our German retail partners are now happy to meet us at consumer goods fairs, rather than travelling to our showroom. Therefore, as we look to grow our traction with other large non-German retail customers, we took the decision to move our European showroom to a 16,500 sqft space at the Homexpo Paris showroom complex. The sighting near Charles de Gaulle airport means that the showroom is not only convenient for hosting French retail partners, but also potential customers from across Europe. Our German sales team continue to be employed by the business, and are now joined by colleagues in France to help support them in winning new European customers. Our decision to relocate the office, rather than establish a second European showroom, minimises the additional costs and risk for our shareholders, with the potential upside from winning new European retail customers outweighing the marginally additional cost for the larger space in Paris.
Signing 4-year rolling Russell Hobbs contract	Over the past five years, the business has pivoted from being a licence holder to an owner of brands. However, during the year we decided to renew our Russell Hobbs trademark licence agreement with Spectrum Brands for non-electrical kitchen and laundry products. We believe that the Russell Hobbs brand is a very strong UK heritage brand, and is complementary to our other brands. We have moved away from licensing brands, as there continues to be the risk that at the end of a licence period the business could lose the licence and the goodwill and sales which have been built up. However, the new agreement is on a rolling four-year basis, rather than the previous fixed-term arrangement. This change significantly reduces the licensing risk, as the licence will always have four years to run, rather than having a fixed end date. This allows us to better focus on the long-term growth of the Russell Hobbs brand, which will increase the benefits of the partnership for both Spectrum Brands and Ultimate Products. This allows our sales teams to be able to sell our Russell Hobbs branded product ranges into new European retail customers, our buyers to continue to work with our suppliers to source non-electric kitchen and laundry products, and our shareholders to accrue the benefits of the further sales from our use of this strong UK heritage brand.
Employee pay rises	In the current year, we have seen an inflationary macroeconomic environment which has been characterised as a 'cost-of-living crisis'. As a general retailer we have seen relatively low levels of inflationary pressure on our cost of sales, and hence on revenues. We took the decision to increase salaries for our people to help mitigate the effects of the cost-of-living crisis. This is consistent with our intention to always do the right thing and to invest in our people. In addition, this means that our business remains competitive in the ability to both recruit and retain the best talent. Therefore, it is not only the right thing to do for our people, it is the right thing to do for the business and shareholders in the long term. Our ability to recruit and retain the best people is critical for our process of continuous improvement which increases productivity.

## Chief Financial Officer's review

# A culture of continuous improvement

I am delighted to report a record financial performance in FY23. This is a fantastic achievement for our business, particularly given the tough macroeconomic backdrop.

**Chris Dent**  
Chief Financial Officer



	2023 £'000	2022 £'000	Change £'000	Change %
<b>Revenue</b>	<b>166,315</b>	<b>154,191</b>	<b>12,124</b>	<b>8%</b>
Cost of sales	(123,568)	(115,837)	(7,731)	7%
<b>Gross profit</b>	<b>42,747</b>	<b>38,354</b>	<b>4,393</b>	<b>11%</b>
Other administrative expenses	(22,534)	(19,604)	(2,930)	15%
<b>Adjusted EBITDA*</b>	<b>20,213</b>	<b>18,750</b>	<b>1,463</b>	<b>8%</b>
Depreciation & amortisation	(2,260)	(2,066)	(194)	9%
Finance expense	(1,132)	(842)	(290)	34%
<b>Adjusted profit before tax*</b>	<b>16,821</b>	<b>15,842</b>	<b>979</b>	<b>6%</b>
Tax expense	(3,560)	(3,120)	(440)	14%
<b>Adjusted profit after tax*</b>	<b>13,261</b>	<b>12,722</b>	<b>539</b>	<b>4%</b>
Share-based payment expense	(837)	(403)	(434)	108%
Tax on adjusting items	162	51	111	218%
<b>Statutory profit after tax</b>	<b>12,586</b>	<b>12,370</b>	<b>216</b>	<b>2%</b>

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

### Revenue

Group revenue has increased by 8% to £166.3m in the period (FY22: £154.2m). Due to our ongoing focus on supplying the best products at the best price for our retail customers and consumers, prices have followed their long-term trend with no price inflation contributing to our top line growth. Our online business saw exceptional growth of 64% to sales of £41.4m, as the channel benefited from the normalisation of global supply chains, which had held back growth during FY22.

By Strategic Pillar:	FY23 £'000	FY22 £'000	Change	%	FY23 %	FY22 %
Supermarkets	49,116	51,523	(2,407)	-5%	30%	33%
Discount retailers	44,593	48,126	(3,533)	-7%	27%	31%
Online channels	41,449	25,321	16,128	64%	25%	16%
Multiple-store retailers	22,178	17,312	4,866	28%	13%	11%
Other	8,979	11,909	(2,930)	-25%	5%	8%
<b>Total</b>	<b>166,315</b>	<b>154,191</b>	<b>12,124</b>	<b>8%</b>	<b>100.0%</b>	<b>100.0%</b>

This strength in our online business helped to mitigate the weakness which we saw in the first half of the year from retailers, when significant levels of overstocking led to a reduction in sales of 11% in H1. It is pleasing that, as the year progressed, the overstocks eased, leading to retail sales growing by 8% year-on-year in H2, resulting in FY23 sales to retailers falling just 3%.

## Chief Financial Officer's review continued

Although they eased, overstocks continue to be a headwind, especially in Europe. This, tied with macroeconomic uncertainty, has led some retailers to change their buying patterns away from large infrequent forward orders to smaller but more frequent orders from current stock.

During a period of higher inflation, which has squeezed customer spending power, it is no surprise that sales growth was weighted towards energy efficient and money saving products. Consequently, Salter products, alongside our overall small domestic appliance offering (which includes air fryers), have proved especially popular in the period.

### Operating Margins

Gross margin increased to 25.7% (FY22: 24.9%) as our sales growth was driven by higher-margin online sales. In the second half of the year, we also benefited from the fall in freight rates, which has helped to mitigate the weakness that we have seen in the value of Sterling. The increase in gross margin means that gross profit rose 11% to £42.7m (FY22: £38.4m).

Other administrative expenses rose 15% to £22.5m (FY22: £19.6m). Although we have seen relatively low levels of inflationary pressure on our cost of sales, we have seen pressure in our operating costs.

Our wage bill, which makes up 77% of our other administrative expenses, rose by 13% in the period, as we increased salaries for our people to ensure that employee remuneration remains attractive to recruit and retain the talent, measures that both drive productivity within the business and mitigate the effects of the cost-of-living crisis. This is consistent with our intention to always do the right thing and to invest in our people. We are proud to continue to invest in our people, and they in turn have helped us to increase productivity, with gross profit per employee increasing from £83k in FY18 to £113k in FY23. It is these productivity gains that have allowed us to maintain operating margins, whilst at the same time appropriately rewarding our people.

We were able to invest in attendance at Ambiente, Europe's largest housewares show, which we had been unable to take part in during the COVID-19 pandemic. Attending Ambiente enabled us to exhibit our range of quality branded houseware products to new customers, consumers and suppliers, as we continue to grow brand awareness in the strategically important European market.

The combination of 8% revenue growth, improved gross margin, and inflation-impacted overheads has led to a stable operating margins at 12.2%, with adjusted EBITDA increasing 8% to £20.2m (FY22: £18.8m).



**Our performance has been driven by the strength of our operating model, where we constantly seek to improve our productivity; A culture of continuous improvement.**



## Chief Financial Officer's review continued

### Adjusted & statutory profit

Depreciation and amortisation increased 9% to £2.3m (FY22: £2.1m) as a result of the increase in the depreciation charge following our investment in solar panels at our Manor Mill head office during the summer of 2022.

The finance charge has increased £0.3m to £1.1m (FY22: £0.8m) due to the higher level of interest rates. The Group has benefited from the hedging instruments it entered into when interest rates were at historically low levels. These instruments cover an aggregate principle of £18.0m and are a mix of swaps and caps. These instruments, as well as careful management of net debt, have successfully limited the effect of higher interest rates.

The share-based payment expense increased by £0.4m to £0.8m as a result of the modification of the MIP scheme which was approved at the FY22 AGM and resulted in a one-off charge of £0.5m.

The tax charge for the period at 21.3% (FY22: 20%) was higher than the blended statutory rate of 21% due to the higher statutory rate of tax paid on our European foreign branches in Germany and Poland, with the overall rate increasing due to the increase in UK corporation tax from 19% to 25%.

As a result, the statutory profit after tax increased by 2% to £12.6m (FY22: £12.4m).

### Earnings per share

Although we have not issued any new shares within the year, the number of shares held in our Employee Benefit Trust has changed over the year, resulting in the weighted average number of shares decreasing 0.1% to 86,310,315 (31 July 2022: 86,353,827).

	2023 £'000	EPS p	2022 £'000	EPS p
<b>Adjusted profit after tax</b>	<b>13,261</b>	<b>15.4</b>	<b>12,721</b>	<b>14.7</b>
Share based payment	(837)	(1.0)	(403)	(0.5)
Tax on adjusting items	162	0.2	51	0.1
<b>Statutory profit</b>	<b>12,586</b>	<b>14.6</b>	<b>12,369</b>	<b>14.3</b>

As a result, both adjusted profit and adjusted EPS increase 4% to £13.3m (FY22: £12.7m) and 15.4p (FY22: 14.7p) respectively.

### Financing and cash flow

The Group generated cash from operating activities of £24.4m (FY22: £6.9m), being a 121% operating cash conversion (FY22: 37%). This was significantly stronger than the previous year when the Group needed to invest in working capital due to the supply chain crisis during CY 2021. This meant that at the period end, the Group had a net bank debt/adjusted EBITDA ratio of 0.7x (31 July 2022: 1.3x), which represents net bank debt of £14.8m (31 July 2022: £24.3m). The Group makes use of term loans for longer-term funding, such as acquisitions, whereas our invoice discounting and import loan facilities are designed to fund our working capital, and automatically increase in relation to our levels of trading.

	31-Jul-23 £'000	31-Jul-22 £'000	Change £'000	Change %
Cash	5,086	6,202	(1,116)	
Overdraft	(5,004)	(6,020)	1,016	
Term loan	(6,000)	(8,000)	2,000	
RCF	–	(2,217)	2,217	
Invoicing discounting	(8,950)	(6,197)	(2,753)	
Import loans	–	(8,179)	8,179	
Loan fee	73	155	(82)	
<b>Net bank debt</b>	<b>(14,795)</b>	<b>(24,256)</b>	<b>9,461</b>	<b>39%</b>

### Dividend

In line with our established dividend policy of distributing 50% of the Group's adjusted profit after tax, the Board is pleased to propose a final dividend of 4.95p per share (FY22: 4.82p per share). This takes the total dividend for the year to 7.38p per share (FY22: 7.12p per share), an increase of 4%. Subject to shareholder approval at the AGM on 15 December 2023, the final dividend will be paid on 26 January 2024 to shareholders on the register at the close of business on 29 December 2023 (ex-dividend date 28 December 2023).

### Strategic Report

The Strategic Report (which includes all of the content from pages 5 to 38) was approved by the Board on 30 October 2023 and was signed on its behalf by:

**Chris Dent**

Chief Financial Officer

30 October 2023








## 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 by the Audit and Risk Committee with periodic review and discussion by the Board as a whole. 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 risks and uncertainties that may arise.

Area	Risk	Mitigation	Movement
<b>Macroeconomic factors</b>	Macroeconomic trends affecting consumer confidence and reducing non-food spending such as inflationary pressures and the effect of higher interest rates, could affect retail demand. In the current year, the global economy has not fallen into recession as had been feared, as continued high employment and wage increases have supported consumer spending. This, however, means that interest rate setting agencies may need to keep interest rates higher, for longer, to bring inflation back towards target, which will eventually need to affect aggregate demand. As well as affected demand for our goods, reduced retail demand can also impact the credit worthiness of our customers.	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 and through online channels. The Group's products, being mass-market and value-led, are well placed in the event of an economic downturn. The business has well established procedures for managing credit risk with its customers including credit insurance, full details of which can be found on page 108.	
<b>Sourcing</b>	A major loss of continuity in the supply of goods for resale could adversely affect the Group's revenues. In addition, we have 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. In the current year, buying teams have begun to have an element of variable remuneration linked to decreasing geographical supply concentration.	
<b>Supply chain management</b>	As a wholesaler, the Group has a significant working capital requirement. Inefficient stock management could result in overstocking, which may adversely affect working capital. Conversely, understocking could limit the Group's ability to maximise revenue opportunities. In the current year we have seen a reduction in the risks related to the shipping crisis which affected global supply chains, particularly in relation to the costs and availability of shipping capacity.	Stock levels and purchasing are closely managed, with all purchase orders being reviewed before being placed. The Group's systems facilitate 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 and prompt actions are taken where necessary.	
<b>Margin pressure</b>	As a wholesaler, the Group faces consistent price pressures from retail customers, whilst facing changes to input costs such as freight costs, exchange rate fluctuations, factory gate price and changes in the costs of raw materials. In the current year, the fluctuations in relation to the valuation of sterling were significant last Autumn, but have since steadied, and we have benefited from the fall in shipping costs.	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. The Group actively manages foreign exchange risk through use of forward contracts.	

## Principal risks and uncertainties continued

Area	Risk	Mitigation	Movement
<b>Protection of brands</b>	Failure to develop and enhance the product range of our brands could result in loss of our competitive advantage, which could impact on the Group's turnover. Failure to develop or acquire new brands could restrict growth, given the Group's brand-led strategy. Failure to renew or delays in renewing licences for key brands could impact turnover. During the year, the Group renewed its trademark licence agreement with Spectrum Brands, which grants the Group an exclusive licence to use the "Russell Hobbs" trademark for non-electrical kitchen and laundry products.	<p>A high level of new product development focus is maintained and monitored by the Board. Buying teams attend trade shows and carry out store and factory visits to ensure that they are in touch with the latest consumer demands and trends. The Group continues to develop a "second tier" of brands and monitors opportunities to acquire new brands. The risk arising from the non-renewal of licences has reduced significantly as a result of the Group's acquisition of the Salter brand and the renewal of our Russell Hobbs licence on a rolling basis.</p> <p>During the year, we have appointed our first Brand Director who is helping to further formalise the way in which we develop and protect our brands.</p>	
<b>Climate Change &amp; Environmental</b>	Climate change is a widely acknowledged global emergency, with the need to act faster becoming evident. Managing the greenhouse gas emissions associated with our supply chain is critical to reducing our impact on climate change. The physical and financial impacts of climate change are already being felt and are set to intensify. As it becomes increasingly likely that targets set by intergovernmental bodies will be missed, the long-term risk for our business continues to increase despite the mitigating actions we are taking.	We have established a Group-wide ESG Committee to extend oversight and governance for monitoring the delivery of the Group's climate commitments. We have stated a strong commitment to be Net Zero by 2050. This pledge is in the process of being supported by road maps and targeted decarbonisation plans. We are working internally and with third-party organisations in developing this suite of metrics to enable us to monitor progress. We also continue to report our climate-related financial disclosures (see TCFD section on pages 27 to 30).	
<b>Legal and regulatory</b>	Failure to comply with legal and regulatory requirements, including environmental and climate change developments, both in the UK and in other countries in which the Group operates, could result in fines or an 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.	
<b>Human resources</b>	Failure to attract and retain high-quality individuals, both in the UK and internationally, could impact on the delivery of the Group's strategy.	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' courses 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.	
<b>Cyber security</b>	Risk of cyber crime with the potential to cause operational disruption, loss or theft of information, inability to operate effectively, loss of online sales or reputational damage.	The Group continues to review and invest, where appropriate, in the development and maintenance of its 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. New employees receive IT training to increase awareness of cyber risk. Disaster recovery, business continuity and crisis communication plans are maintained.	

## Viability statement

### At the year end the Group had a net bank debt/adjusted EBITDA ratio of 0.7x (FY22: 1.3x).

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Directors have assessed the viability of the Group over a five-year period to July 2028, 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 five-year period to July 2028.

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 five-year period. In such a scenario, any return to shareholders would be reduced.

The Group currently has a £10m amortising loan used for the acquisition of Salter Brand Limited, which stood at £6m at the year end and runs to October 2024. In addition, the Group has a suite of working capital facilities with HSBC including a £8.2m revolving credit facility, a £23.5m invoice discounting facility (both of which run until October 2024) and a £9.0m import loan facility, which is repayable on demand and subject to annual renewal.

Although it is expected that the Group will be able to fully de-leverage over the forecast period as operating cash flows are used to pay down debt, the Directors believe that, in the ordinary course of business, the Group will continue to wish to use facilities to fund short-term working capital requirements, and it is assumed that these facilities will continue throughout the period to 31 July 2028.

The following three principal risks were selected for enhanced stress testing:

- macroeconomic factors: the impact of a significant economic downturn and reduced consumer spending arising out of matters including, but not limited to, inflationary pressures, higher interest rates, higher taxation, and the impact from recession or reduced consumer spending;
- China sourcing: in particular a severe restriction in product supply levels due to potential power outages and significantly reduced shipping capacity; and
- margin dilution: including the effects of changes in exchange rates and changes in freight costs.

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 stress testing also included layering of risks, whereby multiple risks occurred simultaneously. These scenarios showed the limits of the Group's resilience. In each test a number of mitigating operational and financial actions were taken including the suspension of the dividend, lowering of capital expenditure, the reduction in discretionary operating spending, and, in the case of a severe downturn from reducing headcount. With these mitigating actions, it was shown that the Group would be able to remain in operations.

In addition to the enhanced stress testing, the Group has also considered climate change as a key long-term risk to our business model. This fuller assessment of the climate-related risks the Group faces, and our actions to mitigate these risks is provided in the TCFD-related disclosures on pages 27 to 30.

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 mass-market 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 five years to 31 July 2028 as an appropriate period for the Group's Viability Statement, as management currently use five-year forecasts as part of the business planning process.

## Corporate Governance

# Doing the Right thing

### Corporate Governance

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## 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.



**James McCarthy**  
Non-executive Chairman



James has over 40 years' experience in the fast-moving retail industry, having previously held the position of Chief Executive Officer of Poundland Group plc ('Poundland'), a single price retailer. He retired in September 2016, after ten years' service having joined in August 2006. During his tenure, Poundland's sales grew from £300m to £1.3bn 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 ten 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. Joined the Company on 1 March 2017 when he was appointed Non-executive Chairman.



**Simon Showman**  
Chief Executive Officer



Simon began his career working for an auctioneer before founding Ultimate Products in 1997. Initially a clearance business buying discontinued and excess stock, Simon was able to grow the business into a sourcing and importing operation. This led to investment by 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. Appointed as Chief Executive Officer in 2005, having been a Director of Ultimate Products since 1997.



**Andrew Gossage**  
Managing Director



Andrew is a chartered accountant and started his career with Arthur Andersen where he held positions in audit and transaction support. In 1998, he transferred into industry, taking on the role of Finance Director & General Manager of Mersey Television, an independent television producer of continuing drama including Hollyoaks, Brookside and Grange Hill. He was a key member of their management team, which was backed by private equity investment from LDC in 2002, leading the sale of the business to All3Media in 2005. Andrew joined Ultimate Products in 2005, initially as Finance Director, and was an integral part of the management buyout team that year. In 2014, together with Simon Showman, he led the buyout of LDC using personal money and support from HSBC. At this point, Andrew was promoted to Managing Director. Andrew is currently responsible for online and non-trading functions including process development, supply chain, human resources, IT and legal. Joined the Company initially as Finance Director in 2005 before being promoted to Chief Operating Officer in 2007 and Managing Director in 2014.



**Chris Dent**  
Chief Financial Officer



Chris has substantial accounting and financial experience from his time in the profession and as CFO of publicly listed companies. Chris began his career at Deloitte LLP where he spent ten years within audit, corporate finance and transactional accounting services. He subsequently spent four years as CFO of AIM-listed 7digital Group plc, and then five years as CFO of AIM-listed Franchise Brands plc. Chris is a Fellow of the Institute of Chartered Accountants of England and Wales. Joined the company on 4 April 2022 when he was appointed as Chief Financial Officer.

## Board of Directors continued

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.



**Alan Rigby**  
Senior Independent  
Non-executive Director

A N R

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 provided independent consultancy services to private companies on strategy, corporate transactions and refinancing. Joined the Company on 1 March 2017 when he was appointed Senior Non-executive Director.



**Robbie Bell**  
Independent  
Non-executive Director

A N R

Robbie is Chief Financial Officer of Highbourne Group whose brand portfolio includes some of the biggest names in the sector, including City Plumbing, The Bathroom Showroom, PTS, DHS, The Underfloor Heating Store, Plumbworld and PlumbNation. He was formerly CFO of Holland & Barrett, Europe's largest health and wellness retailer and convenience retailer McColl's Retail Group, prior to which he was Chief Executive Officer of motorway services operator Welcome Break Group. Joined the Company on 1 March 2017 when he was appointed Non-executive Director.



**Jill Easterbrook**  
Independent  
Non-executive Director

N R E

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, the UK's largest automotive marketplace, and Ashted Group plc, the international equipment rental company. Jill is also Non-executive Chair of Headland Consultancy Limited, and of AIM-listed Tracsis plc. Joined the Company on 21 September 2020 when she was appointed Non-executive Director.



**Christine Adshead**  
Independent  
Non-executive Director

A N R E

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

## Chairman's introduction

# Preserving value for shareholders

**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 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.

Corporate governance plays a crucial role in helping to preserve value for shareholders by providing a process for decision-making which should ensure that all major decisions are considered in good time, that the Board is provided with good-quality briefing materials which cover all relevant factors and that our deliberations consider the risks, as well as the opportunities, in the issues before us. It is for these reasons that the Board is committed to achieving high standards of corporate governance.

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.

**James McCarthy**  
Chairman

30 October 2023

### 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. 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 the Directors consider that the Company has complied throughout the year ended 31 July 2023 with the provisions of the Code.

### The Board

On an ongoing basis, the Board has eight 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 background. 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. 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 the Non-executive Directors to be independent for the purposes of the Code and free to exercise independent judgement.

## Chairman's introduction continued

### The Board continued

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.

The Board is supported by a dedicated and experienced Operating Board in the delivery and execution of their objectives. 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 seven senior managers. The Board aims to meet with the Operating Board once each year to formally consider the strategic direction of the Group. The latest strategy day occurred in May 2023.

### 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 the current year being one of those years. The Board appointed New Street Consulting Group Limited (NSCG) to carry out a review of the Board and its principal committees. NSCG is an independent advisor with no other connection to the Company or any individual Directors. Whilst the review found that the Board and its Committees were functioning well and are cohesive in their desire for continuous improvement, the Board has agreed on a set of actions in order to further improve its performance and effectiveness.

### Training and development

On appointment to the Board, new Directors are given a tailored induction to introduce them to the business, which will include any training which may be deemed necessary. 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.

### 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, Remuneration Committee and the ESG 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 Committee are reviewed annually and are available on the Company's website, [www.upgs.com](http://www.upgs.com).



## Chairman's introduction continued

### 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 Group's system of internal controls and risk management (including climate-change related risks), the internal and external audit process and auditors, presenting a fair, balanced and understandable assessment of the Group'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 report of the Audit and Risk Committee is included on pages 46 to 49.

### 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 believes and applies the concept that building a diverse and inclusive culture is integral to the success of the Group.

Diversity includes aspects such as diversity of skills, perspectives, industry experience, educational and professional background, gender, ethnicity and age. It is the Group's aim to have the appropriate level of diversity on the Board to reflect the diverse nature of the Group'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% and on the Group's Operating Board 30%, in line with the Board's initial target for gender diversity.

Currently the Board is not compliant with the Listing Rules requirements of LR9.8 as amended in 2022, but recent appointments to the Board have increased its overall diversity. The appointments of Jill Easterbrook and Christine Adshead to the Board increased the level of women on the Board to 25%, and the appointment of Chris Dent added a gay man to the Board. Although neither Christine or Jill currently hold one of the senior Board positions, they both Chair main Board Committees. The Board does not currently contain a Director from a minority ethnic background.

It is expected that over time the composition of the Board will change, and that when appointing any new directors due weight will be given to the overall diversity of the Board when considering succession and Board appointments.

Succession planning is a key responsibility of the Nomination Committee, who continue to review and provide feedback on the corporate succession plan prepared for the Board, senior management and other key positions, along with consideration of alternative leadership structures. The plan addresses both emergency cover and long-term succession. The Committee believes that maintaining an open dialogue with the Executive Directors is crucial to support effective succession planning and, to this end, the Chairman held meetings with the Executives to discuss and understand their current thoughts for the future.

During the year, the Nomination Committee updated the plan for emergency cover following from changes in roles and responsibilities of both executives and non-executives. In addition, the Nomination Committee has begun to review the succession planning for non-executives. The Nomination Committee is aware that the Chairman, Senior Independent Director, and Chair of the Audit Committee will all have completed their full nine-year terms at the same point in time in FY26 having all been appointed at the time of the Companies Listing in 2017. Therefore, the Committee is currently in the process of designing a timetable by which the candidate search and handover each of these important Non-executive Director roles can be done to provide suitable continuity and without the inevitable disruption and potential damage to the operation of the Board if succession in all these roles occurred simultaneously.

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. Colleagues on the Programme periodically update and reassess their personal skills matrix, their development areas and training needs to allow them to enrich their skills, experience and development.

### 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 Christine Adshead who replaced Alan Rigby during the year and its other members are James McCarthy, Robbie Bell and Jill Easterbrook. The Remuneration Committee Report is included on pages 50 to 71.

## Chairman's introduction continued

### ESG Committee

The ESG Committee assists the Board in defining the Company's strategy relating to ESG matters and reviewing the practices and initiatives of the Company relating to ESG matters ensuring they remain effective, up to date and aligned to the overall business strategy. This includes: the Group's impact on the natural environment and its response to climate change, including greenhouse gas emissions, energy consumption, generation and use of renewable energy, pollution, efficient use of resources, the reduction and management of waste, and the environmental impact of the Group's supply chain; the Group's interactions with employees, customers, suppliers, other stakeholders and the communities in which it operates and the role of the Group in society, including workplace policies, working conditions and employee opportunities, equality, gender and diversity policies, ethical/responsible sourcing, social aspects of the supply chain (including modern slavery), and engagement with and contribution to the broader community through social projects and charitable donations, and the ethical conduct of the Group's business, including its corporate governance framework, business ethics, policies and codes of conduct, the management of bribery and corruption, and the transparency of non-financial reporting. The ESG Committee Report is included on pages 18 to 30.

### Meetings and attendance

Board meetings are scheduled to be held monthly. As required, additional Board and committee meetings may be held to progress the Company's business. In the year ended 31 July 2023, 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:

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.

### 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 and hosting webinars to present results and trading statements.

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

30 October 2023

	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee	ESG Committee
<b>Number of meetings</b>	12	7	6	2	3
James McCarthy	12		6	2	
Simon Showman	11			2*	3
Andrew Gossage	12	1*		2*	
Chris Dent	12	7*		2*	3
Alan Rigby	11	7	6	2	
Robbie Bell	12	7	6	2	
Christine Adshead	12	7	6	2	3
Jill Easterbrook	12		6	2	3

\* Denotes Directors who attended Board Committee meetings during the year by invitation.

## Audit and Risk Committee Report

During the year the Committee took the decision to place the audit out to tender, and following a competitive process awarded the contract to PKF Littlejohn LLP to replace BDO LLP.



### 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.

### Committee Membership

Robbie Bell (Chair)

Christine Adshead

Alan Rigby

### Number of meetings held during the year

7

### Robbie Bell

Chair of the Audit and Risk Committee

### Governance

The Committee's Terms of Reference are published on the Group's website and were reviewed during the year. 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 Committee as a whole has competence relevant to the sector in which the Company operates. The meetings are attended by all of the Committee members and, by invitation, the Chief Financial Officer and other senior employees of the Group, along with representatives from the external auditors. In addition, the Committee has also met with the external auditor without the Executive Directors present.

### Role and responsibilities

The primary role of the 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;

# Audit and Risk Committee Report continued

## Role and responsibilities continued

- reviewing and monitoring the effectiveness of the Group’s internal control and risk management systems;
- whilst the Group 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 Committee has:

- reviewed and discussed with the external auditor (BDO LLP) the key accounting considerations, estimates and judgements reflected in the Group’s results for the six-month period ended 31 January 2023;
- performed a competitive tender process of the external audit which resulted in a change of external auditor from BDO LLP to PKF Littlejohn LLP;
- reviewed and agreed the new external auditor’s audit strategy memorandum in advance of its audit for the year ended 31 July 2023;

- reviewed the non-audit services provided to the Group by the external auditor and assessed its independence and objectivity;
- agreed the terms of engagement and fees to be paid to the external auditor for the audit of the 2023 Financial Statements;
- reviewed reports from management regarding their approach to key accounting considerations, estimates and judgements in the Financial Statements for the year ended 31 July 2023;
- discussed the report received from the external auditor regarding its audit in respect of the year ended 31 July 2023;
- reviewed the half-year and full-year Financial Statements;
- considered the Group’s principal and emerging risks, together with the processes for mitigating these risks and assigning appropriate actions with reference to the external environment;
- discussed and considered the Group’s exposure to the risk of fraud, including the safeguards in place to mitigate this risk;
- reviewed and approved the Group’s viability statement, including the approach and assumptions taken, giving consideration to key risks;
- discussed and agreed the nature and scope of the review and assessment of the Group’s internal control framework;
- reviewed the effectiveness of the Group’s internal control systems, including reviewing the key control cycles and reviewing the results of substantive testing of key internal controls; and
- considered the effectiveness of the Group’s IT Security in relation to cyber attacks.

At the request of the Board, the Committee also considered whether the Annual Report and Accounts for the year ended 31 July 2023, 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.

## Significant issues

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

Significant issues	How the issue was addressed
<b>Revenue recognition</b>	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.
<b>Customer rebates and discounts</b>	The Audit and Risk Committee has reviewed and challenged management on the approach taken to determining the level of provision required for rebates and discounts. 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.



## Audit and Risk Committee Report continued

### Review of risk management and internal financial controls

The 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 Committee according to their likelihood, potential impact and time horizon. 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 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 36 to 37 and the impact of these risks has been considered in the Viability Statement on page 38 and the Going Concern assessment on page 91.

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 internal control cycles were reviewed and key controls were identified and tested.

### Auditors' remuneration:

	2023 £'000	2022 £'000
Fees for audit of the Company	50	40
Fees for the audit of the Company's subsidiaries	65	42
<b>Total audit Fees</b>	<b>115</b>	<b>82</b>
Other assurance services	–	18
<b>Total non-audit Fees</b>	<b>–</b>	<b>18</b>

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 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 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 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 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. During the year the Committee decided to undertake a formal audit tender process following the end of the FY22 financial period, which represented the most recent yearly set of financial statements audited by BDO LLP. The appointment of PKF follows a recommendation to the Board by the Audit and Risk Committee, following the completion of this formal tender process. BDO LLP resigned from its role as auditor with effect from 13 June 2023. As required by Section 519 of the Companies Act 2006, BDO LLP deposited a statement with the Group that confirmed there are no circumstances in connection with its resignation as auditor that should be brought to the attention of members or creditors of the Group.

The independence and objectivity of the auditor is regularly considered by the Committee, taking into consideration relevant UK professional and regulatory requirements. The 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 Committee has considered and approved the terms of engagement and fees of the external auditor for the year ended 31 July 2023. There were no contingent fee arrangements.

## Audit and Risk Committee Report continued

### External audit continued

Audit fees payable by the Group to PKF Littlejohn LLP in the year ended 31 July 2023 totalled £115,000 (2022: £nil). PKF Littlejohn LLP were not paid any fees for non-audit services. The ratio of audit fees to non-audit fees, in total, for the year ended 31 July 2023 is 1:0.

Audit fees payable by the Group to BDO LLP in the year ended 31 July 2023 totalled £nil (2021: £82,000). The Committee reviewed the level of non-audit services and fees provided by BDO LLP. For the year ended 31 July 2023, these totalled £18,000 (2022: £18,000) which all related to half-year assurance services.

The 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 Committee seeking assurances and understanding of the auditor's approach to the audit. In the current year this process reviewed the effectiveness of BDO LLP, but also began to review the effectiveness of our new auditors PKF Littlejohn LLP. In particular, the Committee reviewed and approved the external auditor's plan for undertaking the year-end audit, including the scope of their work and their proposed approach to key risk areas identified.

The Committee also reviewed the detailed reports prepared by the external auditor setting out their findings from year end audit. The results were reported to and discussed by the Audit and Risk Committee. Following the completion of the current year audit, it is the Committee's intention that this approach is 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, to include consideration of the audit partner and team, as well as approach and communication.

Considering the ongoing review of the effectiveness, the independence and the length of tenure of the auditors, the Committee recommends that a resolution for the reappointment of PKF Littlejohn LLP as the Company's auditor should be proposed at the forthcoming AGM.

### Robbie Bell

Chair of the Audit and Risk Committee

30 October 2023

## Remuneration Committee Report

**The Committee is proposing a refreshed approach to incentivising Executive Directors and senior management, in order to ensure that the key drivers and talent are appropriately motivated and remain in place to deliver future growth.**



### Committee Membership

Christine Adshead (Chair)

Alan Rigby

James McCarthy

Robbie Bell

Jill Easterbrook

### Number of meetings held during the year

6

**Christine Adshead**  
Chair of the Remuneration Committee

I am pleased to present the FY23 Directors' Remuneration Report on behalf of the Remuneration Committee, and my first report as Chair of the Committee. I would like to thank my colleague Alan Rigby for stewardship of the Committee since IPO in 2017.

The Committee is satisfied that the Remuneration Policy has operated as intended in FY23. This 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 Committee has prepared this report in line with the recommendations of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules and with consideration given to guidance provided by investors, including the Investment Association's Principles of Remuneration.

### Our approach to remuneration

The Committee's long-standing view is 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. The Committee has continued to enjoy the backing and understanding of the Executive Directors in this approach, each of whom respect the independence of the Committee.

# Remuneration Committee Report continued

## Remuneration Policy review

The current remuneration policy is due for renewal this year in line with the usual three year timescales for UK listed companies. During the year, the Committee commissioned a comprehensive review of the approach to remuneration for senior management and Executive Directors. Working with its executive remuneration advisors, the Committee has conducted a detailed review of the overall remuneration structure at UPGS, taking into consideration the Company's strategic objectives, developments in market practice over recent years, the views of the management team and the external environment in which the Company operates.

As a result of this review, the Committee is proposing a refreshed approach to incentivising Executive Directors and senior management, in order to ensure that the key drivers and talent are appropriately motivated and remain in place to deliver future growth. The Committee is proposing to simplify the Policy by replacing the existing annual bonus and performance share plan with one single incentive going forward, the UPGS 2023 Incentive Plan (the 'Incentive Plan'), save for S Showman and A Gossage.

Annual awards will be no higher than 200% of base salary for the Executive Directors (but the Committee does not intend to make use of this limit in the first year of operation of the Policy). The Committee is comfortable that the total 200% maximum opportunity under the Incentive Plan is in line with the total current opportunity under the legacy bonus plan and PSP given that the incentive opportunity is set at a modest level relative to other similarly sized peers, based on the output of a remuneration benchmarking exercise.

In light of their significant shareholdings and their continued participation in the MIP, S Showman and A Gossage will not be eligible to participate in the Incentive Plan and will continue to participate in the current annual bonus plan with the same 100% of salary maximum quantum as previously.

Further details regarding the proposed Directors' Remuneration Policy are set out on pages 52 to 61.

The maximum opportunity for C Dent under the Incentive Plan for FY24 will be up to 140% of salary, with 60% paid in cash and 80% deferred into shares. The maximum opportunity for S Showman and A Gossage for FY24 under the Annual Bonus Plan will be 100% of salary, with up to 70% of salary being paid after the end of the performance year in cash and up to 30% of salary being deferred.

The Committee is confident that the new Policy will stand the Company in a better place to retain and incentivise our management team to achieve our stretching goals and maintain the alignment of pay and performance.

## Implementation of remuneration policy during the year

The Committee is satisfied that the Remuneration Policy was operated as intended and in line with the statement of our intentions set out in last year's report. However, the one exception was in respect of the PSP, as recognising the remuneration policy review that was ongoing during the year, no PSP awards were granted to Executive Directors and senior management.

The base salaries of the Executive Directors were increased during the year with effect from 1 July 2023 to £386,587, £267,876 and £159,500 for S Showman, A Gossage and C Dent respectively. These increases represent 5% of salary for S Showman and A Gossage, below the 10.5% average salary increases awarded to the wider workforce. C Dent was awarded an increase of 10% of salary in reflection of his increased responsibilities and experience in role.

## Performance and pay outcomes during the year

### Annual bonus

Recognising the strong levels of EBITDA performance (£20.2m) and progress made against individual targets, the Annual Bonus outcome was 60% for S Showman, 80% for A Gossage and 81.25% for C Dent, of each of their respective maximums. This corresponds to payouts equal to 60%, 80% and 48.75% of salary for S Showman, A Gossage and C Dent respectively.

In reflection of their significant shareholdings, 30% of the award for S Showman and A Gossage will be deferred into cash for three years, vesting in equal annual tranches. 30% of the award for C Dent will be deferred into shares for three years, vesting in equal annual tranches.

### PSP awards

As set out in the remuneration report for FY22, the Committee considered the performance conditions attached to the awards made under the PSP in 2019, including considering whether any adjustments are required to account for the acquisition of Salter Brands Limited in July 2021. Following lengthy deliberations, the Committee determined that there would be no adjustments to the EPS performance conditions associated with the 2019 PSP award. As a result, the overall vesting of the 2019 LTIP award was 66%, with 62% being based on the EPS performance over the period to 31 July 2022, and the remaining 4% being based on personal performance targets. As a result of EPS, Gross Margin, leverage and other personal performance targets, the vesting of G Screawn's 2019 LTIP award was 81% of maximum. Further details can be found in the payments to past Directors section on page 67.

No MIP awards have been exercised by participants during the year.

## Conclusion

I hope that you can support the decisions we have made this year in relation to the implementation of our remuneration policy for FY23 and how we intend to operate our proposed policy for FY24. As a Committee we believe the proposed policy changes are simple with a clear line of sight for participants to deliver on stretching short-term targets all the whilst maintaining long-term shareholder alignment.

We remain committed to an open and transparent dialogue with our shareholders and welcome any feedback which shareholders may have in relation to this report. I will also be available at the AGM to take any questions in relation to this report.

**Christine Adshead**

Chair of the Remuneration Committee

30 October 2023



# Remuneration Committee Report continued

## Remuneration policy

### 1. Introduction

The Group's Directors' 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 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;
- 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 'Policy') has been prepared 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 (the 'Code') and to guidance provided by investors, including the Investment Association's Principles of Remuneration. This Policy is subject to approval by Shareholders at the 2023 Annual General Meeting and is intended to operate for a three-year term. 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 Policy. If the Committee wishes to change the Policy within this period, or is required to do so, it will submit a revised Policy to shareholders for approval.

The Committee is of view that the proposed Policy is well-aligned with the Code's six principles:

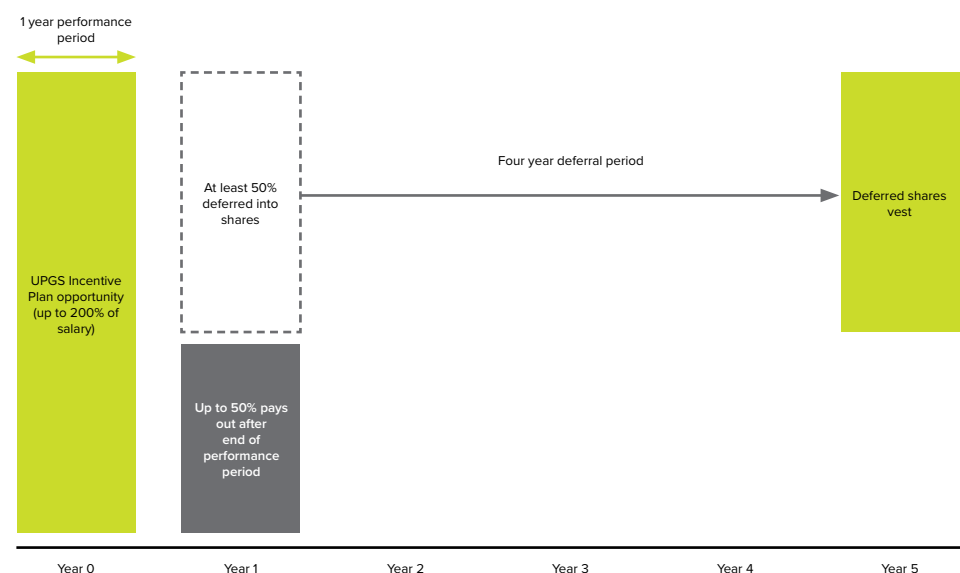
- **Clarity:** The Policy supports the financial and strategic objectives of the Group and aligns EDs' interests with those of shareholders. There is clear disclosure of metrics, weightings and assessment of variable remuneration outcomes;
- **Risk:** The Policy ensures risk is reflected in outcomes through the Committee's discretion to adjust formulaic outcomes to properly reflect any risk events, deferral provisions, subject to malus and clawback which mitigates against future risk and shareholding requirements;
- **Simplicity:** We intend to operate a simple remuneration framework, comprising fixed pay elements and a single variable pay plan per individual. This provides clear line of sight for both EDs and shareholders;
- **Proportionality:** Incentive elements are closely aligned to our strategic goals and robustly assessed, with the Committee having full discretion to adjust outcomes to ensure they align with overall Group performance;

- **Predictability:** The Policy sets out the possible future value of remuneration which EDs could receive, including the impact of share price appreciation of 50%; and
- **Alignment to culture:** As well as aligning with the strategy of the business, the Policy has been formed to allow strong alignment between Executive Directors and senior management by operating incentive plans that can easily cascade throughout the business.

### 2. Changes to Policy

The Directors' Remuneration Policy in its current form was originally approved by the Company's shareholders at the December 2020 AGM by 99.37% of the Company's shareholders. Over the period since the 2022 AGM, we have undergone a comprehensive review of the approach to remuneration for senior management and Executive Directors. The Committee has conducted a detailed review of the overall remuneration structure at UPGS, taking into consideration the Company's strategic objectives, developments in market practice over recent years, the views of the management team and the external environment in which the Company operates.

The Committee is proposing to simplify the Policy by replacing the existing annual bonus and performance share plan with one single incentive going forward, the Incentive Plan for all Executive Directors save for Simon Showman and Andy Gossage. The diagram below illustrates how the Incentive Plan will operate in practice:



# Remuneration Committee Report continued

## Remuneration policy continued

### 2. Changes to Policy continued

Annual awards will be no higher than 200% of base salary for the Executive Directors (but the Committee does not intend to make use of this limit in the first year of operation of the Policy). The Committee will set stretching performance targets which will be measured over each financial year. The majority of the award will be assessed against financial performance metrics, with the balance assessed against non-financial strategic/personal objectives. This will create a direct focus on delivery against strategic objectives on an annual basis, which in turn will drive long-term growth and value creation for shareholders.

Subject to the achievement of these annual targets, up to 50% of any award would be paid at the end of the performance year in cash, with the remaining proportion (i.e. minimum of 50%) being deferred into shares for four years.

Vesting of the deferred shares will be subject to continued employment and the satisfaction of a discretionary performance underpin.

The rationale for the new Incentive Plan is as follows:

- Increased line of sight - feedback from the business indicated that the existing PSP was not motivational in a cyclical industry, which has meant that setting meaningful and challenging long term targets has been challenging for the Company. In contrast, the use of one year targets improves line of sight for management, and is likely to have a greater motivational effect on participants to achieve targets over the shorter term.
- Long-term shareholder alignment - while performance measurement under the new incentive will be measured on an annual basis, in line with institutional guidelines a material proportion of total remuneration is delivered over the long-term. The Committee believes that the significant level of deferral, with vesting subject to continued employment and an ongoing level of performance, will provide strong long-term alignment with shareholders. To the extent that the performance that generated the outturn from the Incentive Plan is sustained, this will be reflected in the growth in value of the deferred element.
- Simpler - the replacement of the annual bonus and performance share plan with one variable remuneration plan simplifies the structure of remuneration at UPGS, and ensures clear understanding for all stakeholders including participants and shareholders. The revised structure is consistent with the simplicity factor as set out in Provision 40 of the 2018 Corporate Governance Code - "remuneration structures should avoid complexity and their rationale and operation should be easy to understand".

- Wider alignment with corporate governance best practice – the updated Policy conforms with best practice in relation to corporate governance, specifically:
  - Five-year overall term until release of the awards under the Incentive Plan.
  - Robust procedures granting the Committee the right to exercise discretion over remuneration outcomes to ensure they are reflective of the wider Company performance and shareholder experience.
  - Clear and full malus and clawback provisions operating for each award over a five year period in total.

As set out in the Chair's statement, S Showman and A Gossage will not be eligible to participate in this plan and will continue to participate in the existing Annual Bonus Plan. The Committee has made adjustments to the operation of the Annual Bonus Plan for flexibility, to modernise it to align with the provisions of the Incentive Plan and in the context of the significant shareholdings of S Showman and A Gossage as follows:

- Increased flexibility in relation to the delivery mechanism and deferral schedule of awards so that the Committee has a choice in how any bonus award will be paid.
- Removal of EBITDA as a fixed metric under the plan (although the Committee currently intends to continue using EBITDA as a measure).
- Changes in the treatment of leavers so that a) good leavers are more narrowly defined to be those who die or other leavers at the discretion of the Committee and b) deferred awards for leavers other than good leavers lapse rather than the treatment under the legacy Policy whereby the default treatment was vesting at the normal vesting date for other leavers.

The Committee is comfortable that all other elements of the current Policy remain fit for purpose, and so no other changes are proposed.

# Remuneration Committee Report continued

## Remuneration policy continued

### 3. Summary of components of Executive Directors' remuneration:

Fixed remuneration: Salary	
<b>Element, purpose and link to strategy</b>	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.
<b>Operation</b>	<p>The Committee reviews base salaries on an annual basis, taking into account:</p> <ul style="list-style-type: none"> <li>• absolute and relative Group profitability;</li> <li>• any changes to the scope of each role and its responsibilities;</li> <li>• any changes to the size and complexity of the Group;</li> <li>• salaries in comparable organisations;</li> <li>• pay increases elsewhere in the Group; and</li> <li>• the impact of any increases to base salary on the total remuneration package.</li> </ul>
<b>Maximum opportunity</b>	<p>The 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):</p> <ul style="list-style-type: none"> <li>• a material increase to the responsibilities attaching to a role;</li> <li>• a material increase in the scope of a role;</li> <li>• a promotion to a different role;</li> <li>• where a salary has fallen out of step with market norms; or</li> <li>• where an Executive Director has been recruited on a below-market salary and the Committee is gradually transitioning that person to a market rate.</li> </ul> <p>In considering any increases to salary for Executive Directors, the Committee shall carefully consider the impact of such changes on associated indirect costs including pension contributions.</p>
<b>Performance measures</b>	None, although the Committee takes into account individual performance, skills and experience when setting and reviewing salaries.

Fixed remuneration: Benefits	
<b>Element, purpose and link to strategy</b>	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.
<b>Operation</b>	<p>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.</p> <p>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.</p> <p>Any additional benefits provided to Executive Directors are reviewed by the Committee and approved only if reasonable, in line with good market practice and obtainable at a proportionate cost.</p> <p>For Executive Directors based outside of the UK, the 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.</p>
<b>Maximum opportunity</b>	The maximum opportunity will depend upon the cost of providing the relevant benefits and individual's personal circumstances. The 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.
<b>Performance measures</b>	None.

# Remuneration Committee Report continued

## Remuneration policy continued

### 3. Summary of components of Executive Directors' remuneration: continued

Fixed remuneration: Retirement provision	
<b>Element, purpose and link to strategy</b>	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.
<b>Operation</b>	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.
<b>Maximum opportunity</b>	The Executive Directors currently receive between 3.5% and 7% of basic salary as a contribution to their pension arrangements (or as an equivalent cash allowance). For S Showman and A Gossage, the Remuneration Committee are gradually aligning the pension opportunity with the wider workforce. C Dent's pension is aligned with the arrangements offered to the wider workforce.  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.
<b>Performance measures</b>	None.

Variable remuneration: Annual Bonus Plan (S Showman and A Gossage only)	
<b>Element, purpose and link to strategy</b>	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.
<b>Operation</b>	<p>Annual bonus targets are reviewed and set on an annual basis to ensure that they:</p> <ul style="list-style-type: none"> <li>• align with the Group's long-term strategy;</li> <li>• are focused on the Group's immediate strategic priorities;</li> <li>• are appropriate given broader market conditions; and</li> <li>• remain stretching.</li> </ul> <p>Pay-out levels are determined by the Committee after the year end, based upon a rigorous assessment of performance against the targets.</p> <p>The threshold payment is between 0% and 25% of the maximum award. Other levels of payout are set by the Committee from year-to-year depending on the appropriate level of stretch in the targets to align with the business plans.</p> <p>Bonuses may be paid in the form of cash or shares, and a proportion may be deferred for a period of time, as determined by the Committee each year in the light of the significant shareholdings of S Showman and A Gossage.</p> <p>Malus provisions apply for the duration of the performance period and to shares or cash held under the deferral arrangements, allowing the Committee to reduce to zero any unvested or deferred awards.</p> <p>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 Committee to claim back all or part of any amount paid or released.</p>
<b>Maximum opportunity</b>	The maximum annual bonus opportunity that can be earned for any year is capped at 100% of base salary in the case of S Showman and A Gossage. For the avoidance of doubt, no other Executive Director can participate in this plan.
<b>Performance measures</b>	<p>The awards under the annual bonus will be earned based on achievement against a scorecard of measures set on an annual basis. At least 50% of the awards will be assessed against financial performance metrics, with the balance assessed against non-financial strategic/personal objectives.</p> <p>The 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.</p> <p>In exceptional circumstances such that the Committee believes the original measures and/or targets are no longer appropriate, the Committee has discretion to amend performance measures and targets during the year.</p>



# Remuneration Committee Report continued

## Remuneration policy continued

### 3. Summary of components of Executive Directors' remuneration: continued

Variable remuneration: Incentive Plan	
<b>Element, purpose and link to strategy</b>	To incentivise Executive Directors to deliver on our financial and strategic goals, align with longer-term shareholder value over a total term of five years from award, and reward exceptional performance.
<b>Operation</b>	<p>Awards will be subject to performance targets measured over a one-year period. Targets are reviewed and set on an annual basis to ensure that they:</p> <ul style="list-style-type: none"> <li>align with the Group's long-term strategy;</li> <li>are focused on the Group's immediate strategic priorities;</li> <li>are appropriate given broader market conditions; and</li> <li>remain stretching.</li> </ul> <p>Pay-out levels are determined by the Committee after the year end, based upon a rigorous assessment of performance against the targets.</p> <p>The threshold payment is between 0% and 25% of the maximum award. Other levels of payout are set by the Committee from year-to-year depending on the appropriate level of stretch in the targets to align with the business plans.</p> <p>Up to 50% of any award is paid in cash following the end of the performance year, with the remaining proportion (i.e. minimum of 50%) being deferred into shares for four years. Deferred awards vest subject to continued service and the satisfaction of a discretionary performance underpin, assessed by the Committee at the end of the deferral period. The value of any dividends during the deferral period may be payable to the Executive Directors upon vesting at the choice of the Committee.</p> <p>In light of the significant shareholdings of S Showman and A Gossage and their continued participation in the MIP, these Executive Directors will not participate in the Incentive Plan and will instead remain in the current Annual Bonus Plan.</p> <p>In determining whether the performance measures have been satisfied, the 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 Committee is of the opinion that the formulaic application of any performance measure produces an outcome that is unjust to the Group, 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 Group. The 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.</p> <p>Malus provisions apply for the duration of the performance period and to deferral awards, allowing the Committee to reduce to zero any in-year or deferred awards. Clawback provisions apply to amounts paid following the performance period for four years following payment, allowing the Committee to claim back all or part of any amount paid.</p>

Variable remuneration: Incentive Plan continued	
<b>Maximum opportunity</b>	200% of salary, with the majority of the award earned being subject to deferral for four years.
<b>Performance measures</b>	<ul style="list-style-type: none"> <li>The awards under the Incentive Plan will be earned based on achievement against a scorecard of measures set on an annual basis. At least 50% of the awards will be assessed against financial performance metrics, with the balance assessed against non-financial strategic/personal objectives.</li> <li>The 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.</li> <li>In exceptional circumstances such that the Committee believes the original measures and/or targets are no longer appropriate, the Committee has discretion to amend performance measures and targets during the year.</li> </ul>

Variable remuneration: All-employee share plans	
<b>Element, purpose and link to strategy</b>	To align the broader employee base with the interests of shareholders and aid recruitment and retention.
<b>Operation</b>	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.
<b>Maximum opportunity</b>	In line with HMRC limits in force from time-to-time.
<b>Performance measures</b>	None.

# Remuneration Committee Report continued

## Remuneration policy continued

### 3. Summary of components of Executive Directors' remuneration: continued

#### Other: Shareholding guidelines

<b>Element, purpose and link to strategy</b>	To create alignment between the Executive Directors' interests and those of shareholders.
<b>Operation</b>	The Remuneration Committee expects all Executive Directors, within a period of five years from appointment, to build up a meaningful shareholding in Ultimate Products.
<b>Maximum opportunity</b>	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.
<b>Performance measures</b>	None.

#### Malus and clawback

Malus and/or clawback provisions under the Incentive Plan 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 or was responsible, has suffered a material failure of risk management.

#### Performance conditions

As detailed in the Policy table above, the Committee determines the performance conditions to be used under the variable pay plans on an annual basis. The Committee's intention is that Adjusted EBITDA will continue to be included as it is a key measure of the Group's financial performance. The performance conditions chosen for each year's incentive awards will be disclosed in the Directors' Remuneration Report following the end of the relevant year.

Remuneration Committee Report continued

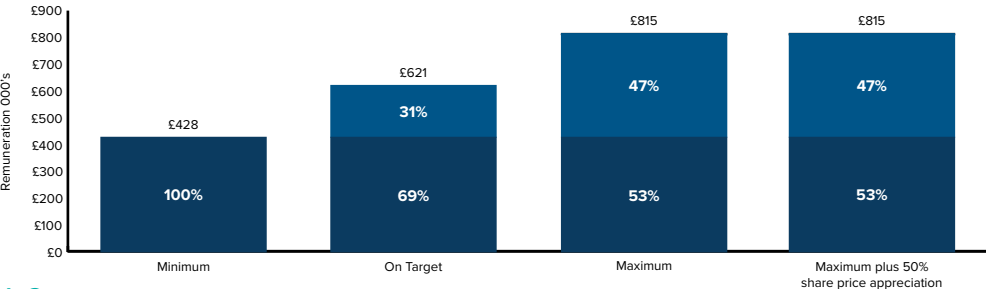
Remuneration policy continued

3. Summary of components of Executive Directors' remuneration: continued

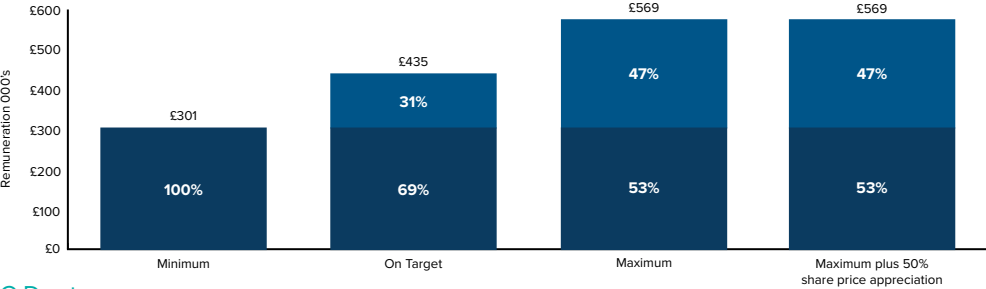
Illustrations of application of Policy

The charts below illustrate the potential value of the remuneration packages for the Executive Directors under the operation of the Policy during FY24 and under the scenarios in the following table.

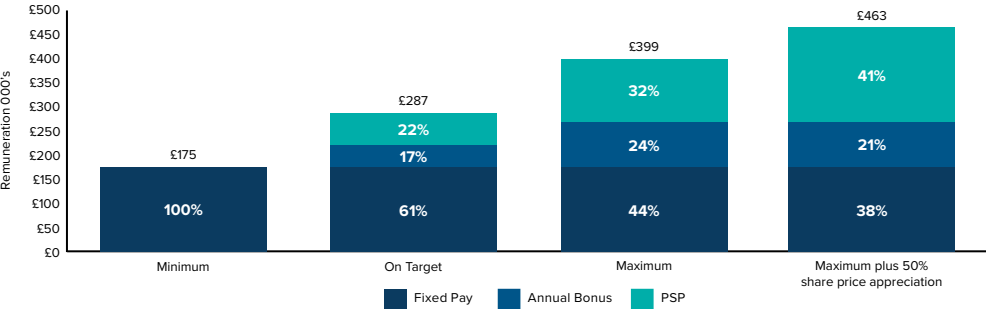
S Showman



A Gossage



C Dent



Performance level	Fixed Pay	Incentive Plan / Annual bonus plan
Minimum		No award
On Target		50% of maximum:  70% of salary for C Dent of which 40% of salary is deferred into shares  50% of salary for S Showman and A Gossage, of which 15% of salary is deferred
Maximum	Fixed elements of remuneration – base salary, car allowance, benefits and pension only.  Base salary is as at 31 July 2023 and the value for benefits has been calculated as per the single figure table for FY23.	100% of maximum:  140% of salary for C Dent of which 80% of salary is deferred into shares  100% of salary for S Showman and A Gossage, of which 30% of salary is deferred
Maximum plus share price growth	As for Maximum above, but with the value of 50% share price growth included within the deferred element of the Incentive Plan for C Dent.	

Note that the SAYE plan has not been incorporated into the scenarios above on the basis of materiality.

# Remuneration Committee Report continued

## Remuneration policy continued

### 4. Statement of consideration of employment conditions elsewhere in the Group

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

Whilst the 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 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.

### 5. Statement of consideration of shareholders' views

The 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 Policy, the Chair of the Committee sought the views and input of the Group's key shareholders. The Committee considered all views expressed by shareholders in refining and developing the 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 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, the Group 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.

### 6. Recruitment remuneration

The 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 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 buy out their variable remuneration arrangements, which would be forfeited due to leaving their previous employment. Where this is done, the 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 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 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 Incentive Plan, 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 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 Incentive Plan on a pro-rated basis in that first year.

For the recruitment of an Executive Director in a non-UK jurisdiction, the 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.



# Remuneration Committee Report continued

## Remuneration policy continued

### 7. 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 Committee has the following policies:

- The 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 or any other reason that the Committee considers to be appropriate (a 'Good Leaver Reason'), the Committee shall consider making a payment to the Executive Director under the Annual Bonus Plan or Incentive Plan. This would normally be pro-rated for the period worked during the financial year and any deferred amounts (whether held in shares or cash) will normally be released at their normal vesting date subject to performance and/or underpins under their original terms.
- 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 or Incentive Plan on cessation of employment of an Executive Director and any deferred amounts will normally lapse.

- In the event of a compromise or settlement agreement, the 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.

### 8. 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 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 Group's incentive plans (i.e. after the end of any performance periods) shall normally vest in full.

### 9. Fees retained for external non-executive directorships

The Committee is of the view that Executive Directors can, in some circumstances, benefit by holding non-executive directorships in other companies. The 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 Committee's advance permission is sought and that such appointment does not conflict with the Director's duties and commitments to Ultimate Products.

### 10. Discretion

The Committee has an element of discretion in several areas of the 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 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 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 Annual Bonus Plan, Incentive Plan or PSP, the 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.

# Remuneration Committee Report continued

## Remuneration policy continued

### 10. Discretion continued

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

### 11. Legacy agreements

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

In particular, Awards under the following plans have not yet vested, and therefore all the terms of these awards (outlined in previous Directors' Remuneration Reports) will continue to apply under the Policy, including performance conditions, vesting and holding schedule and malus and clawback provisions:

- Deferred share awards under the Annual Bonus plan granted to C Dent, which vest in equal tranches after one, two and three years;
- Awards granted to C Dent under the Performance Share Plan (PSP), which vest three years from the date of grant subject to EPS and strategic performance conditions; and
- Awards granted under the Management incentive plan (MIP), which participants may exercise at any point up to 28 February 2026, whose value is based on growth in the Company's share price above a hurdle (which increases from 166.4p to 193.02p with effect from 28 February 2024).

For the avoidance of doubt, no new awards will be granted under any of these legacy plans, except for deferred awards under the Annual Bonus plan for S Showman and A Gossage.

Where appropriate, in the case of an internal promotion to an Executive Director position, the 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.

### 12. 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, 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 Committee Chairs 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 month's written notice. No compensation is payable upon termination of their appointment and they are not entitled to participate in the Group's incentive or pension arrangements.

# Remuneration Committee Report continued

## 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 2023 and 31 July 2022.

	Basic Salary/Fees <sup>1</sup> 2023 £	All Taxable Benefits 2023 £	Pension 2023 £	Total Fixed 2023 £	Bonus 2023 £	MIP, PSP and SAYE 2023 £	Total Variable 2023 £	Total 2023 £
<b>Executive Directors</b>								
S Showman	388,000	14,272	4,000	406,272	220,907	–	220,907	627,179
A Gossage	274,399	14,038	–	288,437	204,096	–	204,096	492,533
C Dent	144,125	10,378	8,135	162,638	70,688	–	70,688	233,326
<b>Non-executive Directors</b>				–		–		
J McCarthy	88,367	–	–	88,367	–	–	–	88,367
A Rigby	50,970	–	–	50,970	–	–	–	50,970
R Bell	53,470	–	–	53,470	–	–	–	53,470
C Adshead <sup>2</sup>	49,470	–	–	49,470	–	–	–	49,470
J Easterbrook	53,470	–	–	53,470	–	–	–	53,470
	1,102,271	38,688	12,135	1,153,094	495,691	–	495,691	1,648,785

# Remuneration Committee Report continued

## Remuneration Report continued

### Single total figure of remuneration for each Director (audited) continued

	Basic Salary/Fees <sup>1</sup> 2022 £	All Taxable Benefits 2022 £	Pension 2022 £	Total Fixed 2022 £	Bonus 2022 £	MIP, PSP and SAYE 2022 £	Total Variable 2022 £	Total 2022 £
<b>Executive Directors</b>								
S Showman	396,868	14,135	3,667	402,170	35,255	–	35,255	437,425
A Gossage	268,880	13,916	–	282,796	36,643	–	36,643	319,439
C Dent <sup>3</sup>	47,776	3,465	3,249	54,490	–	–	–	54,490
<b>Non-executive Directors</b>								
J McCarthy	86,250	–	–	86,250	–	–	–	86,250
A Rigby	52,612	–	–	52,612	–	–	–	52,612
R Bell	52,612	–	–	52,612	–	–	–	52,612
C Adshead <sup>2</sup>	45,863	–	–	45,863	–	–	–	45,863
J Easterbrook	46,779	–	–	46,779	–	–	–	46,779
	<b>997,640</b>	<b>31,516</b>	<b>6,916</b>	<b>1,023,572</b>	<b>71,898</b>	<b>–</b>	<b>71,898</b>	<b>1,095,470</b>

1 The salaries noted above include the following amounts of pension contributions from the remuneration package that were paid as salary:

	2023 £	2022 £
S Showman	27,822	31,827
A Gossage	19,279	24,595
	<b>47,101</b>	<b>56,422</b>

2 The remuneration noted above for C Adshead includes £3,000 received in respect of fees for delivering executive coaching sessions to the Group's senior operating managers in the year ended 31 July 2022 (2021: £3,250).

3 The remuneration noted above for C Dent in 2022 includes only a partial year from his date of employment of 4 April 2022.



# Remuneration Committee Report continued

## Remuneration Report continued

### Individual elements of remuneration

#### Base salary

The Remuneration Committee consulted with its remuneration advisers and considered market reports on remuneration data from comparable listed companies when reviewing the base salaries of the Executive Directors, having regard to the scope of the respective roles, the experience, performance and contribution of the relevant individuals and the markets in which the Group operates. From 1 July 2023, the base salaries of the Executive Directors are as follows, including comparison to the previously agreed rates:

	Base Salary 1 July 2023 £	Base Salary 1 March 2022 £	Movement %
S Showman	386,587	368,178	5
A Gossage	267,876	255,120	5
C Dent	159,500	145,000	10

#### Taxable benefits

Each Executive Director is entitled to medical expenses insurance. Car allowances are paid to the Executive Directors as follows: S Showman £12,500; A Gossage £12,500 and C Dent £10,000. The car allowances have remained unchanged.

#### Pension benefits

The Group operates a defined contribution pension scheme, which the Directors are eligible to participate in. The Executive Directors currently receive between 3.5% and 7.6% of their salary (excluding any car allowance) as a contribution to their pension arrangements or the equivalent as a cash allowance. 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 2022 (2021: £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 Board considered remuneration data from comparable listed companies when reviewing the fees paid to the Non-executive Directors, having regard to the scope of the respective roles, the experience, performance and contribution of the relevant individuals and the markets in which the Group operates. With effect from 1 July 2023, the Board increased the base fees payable to the Non-executive Directors for their services from £43,470 to £45,644 per annum. The fee in respect of Chairing one of the three main Board Committees (Remuneration, Audit & Risk, ESG) is £10,000 per annum. The fee in respect of services as Non-executive Chairman increased on 1 July 2023 from £88,000 to £92,400.

# Remuneration Committee Report continued

## Remuneration Report continued

### Annual bonus scheme

#### Awards made in respect of the year to 31 July 2023

In accordance with the Remuneration Policy, the maximum bonus opportunity under the Annual Bonus Plan for FY23 was set at 100% of base salary for S Showman and A Gossage (FY22: 100%), and 60% of base salary for C Dent (FY22: n/a). The Remuneration Committee attached performance conditions to each award, one based upon adjusted EBITDA and two 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 adjusted EBITDA was obtained.

Performance condition	Level	Opportunity (assessed performance shown in red)		
		S Showman	A Gossage	C Dent
Adjusted EBITDA	Threshold (£19.8m)	0%	0%	0%
	Target (£20m)	60%	60%	34%
	Stretch 1 (£21.5m)	65%	65%	37%
	Stretch 2 (£23m)	70%	70%	39%
	Stretch 3 (£24.5m)	75%	75%	42%
	Stretch 4 (£26m)	80%	80%	45%
Personal Target 1 (subject to Adjusted EBITDA underpin)	Below Threshold	0%	0%	0%
	Threshold	5%	5%	2.5%
	Target	7.5%	7.5%	5%
	Stretch	10%	10%	7.5%
Personal Target 2 (subject to Adjusted EBITDA underpin)	Below Threshold	0%	0%	0%
	Threshold	5%	5%	2.5%
	Target	7.5%	7.5%	5%
	Stretch	10%	10%	7.5%
Total opportunity		100%	100%	60%
Total assessed (% of base salary)		60%	80%	49%
Total assessed (% of max. opportunity)		60%	80%	81%

As EBITDA for FY23 was £20.2m, the Target level of performance was delivered resulting in a bonus of £422,916 being paid to the Executive Directors for this element. The Committee assessed performance against the personal strategic targets as set out below. In each case, the Committee has sought to provide the maximum level of disclosure of the nature of the targets without prejudicing the Group's commercial interests or revealing sensitive commercial information.

- S Showman:** Personal Target 1 related to the growth in international revenue at appropriate margin levels. Threshold was set at gross international revenue of £62.5m; as international revenue for FY23 was £50.7m this Threshold target was not satisfied, resulting in an award of 0% of base salary in respect of this measure. Personal Target 2 related to the recruitment of additional sales personnel to support and build customer relations across the European market. Although we have recruited a new sales team for our new Paris showroom, this occurred in the period post year end, therefore the Threshold target was not hit during the year end, resulting in an award of 0% of base salary in respect of this measure.
- A Gossage:** Personal Target 1 related to the development of online direct-to-consumer revenues at appropriate margin levels. Stretch was set at gross direct-to-consumer revenue of £38.25m; as direct-to-consumer revenue for FY23 was £41.45m this Stretch target was satisfied, resulting in an award of 10% of base salary in respect of this measure. Personal Target 2 related to the number of working hours saved by our investment in robotics. The Stretch target was set at 15,000 working hours saved; as estimated hours saved was 53,000 this Stretch target was satisfied, resulting in an award of 10% of base salary in respect of this measure.
- C Dent:** Personal Target 1 related to maintaining robust internal risk mitigation procedures. The Committee determined that business risks had been proactively managed and monitored during FY23 and that engagement with the Audit and Risk Committee and through broader Board discussions had resulted in a high impact of these procedures on business performance, resulting in an assessment of this target to Stretch level and an award of 7.5% of base salary in respect of this measure. Performance Target 2 related to management of operating cash flow. The Committee determined that with operating cash flow of £24.4m this had been managed in excess of expectations, resulting in an assessment of this target to Stretch level and an award of 7.5% of base salary being made in respect of this measure.

# Remuneration Committee Report continued

## Remuneration Report continued

### Annual bonus scheme continued

The table below sets out the resulting bonuses earned, including the amounts deferred into shares or cash.

	Bonus maximum (% of salary)	Bonus earned (% of maximum)	Bonus earned (% of salary)	Bonus earned (£)	Of which paid in upfront cash (£)	Of which deferred into shares or cash (£)
S Showman	100%	60%	60%	220,907	154,635	66,272
A Gossage	100%	80%	80%	204,096	142,867	61,229
C Dent	60%	81.25%	48.75%	70,688	49,481	21,206

The Committee considered that overall performance had been strong during FY23 and that the bonus outcomes appropriately reflected individual and business outcomes. No discretion was used in assessing the outcomes as set out above.

### Long-term incentive plans (audited)

#### PSP

There have been no new share options granted under the PSP scheme in the current year, and there have been no PSP awards with a performance period ending in the current year for the current Directors.

#### SAYE

There have been no new share options granted under the SAYE scheme in the current year.

#### MIP

The 2017 MIP is structured as an award of A ordinary shares in UP Global Sourcing UK Limited ('Subsidiary Shares'). The right attaching to the Subsidiary Shares originally included a put option with a three-year vesting period that could be exercised up to seven years following the vesting date. Exercise of the put option was subject to the share price of Ultimate Products plc exceeding a hurdle set at a premium to the IPO price. Following a shareholder vote at the FY22 AGM the time horizon of the MIP was extended by two years subject to an uplift in the Hurdle from 166.4p to 193.02p (equating to an 8% increase to the Hurdle for each of the two years by which the MIP was extended). At the point of exercise, the recipient will receive the value of the Subsidiary Shares in either cash or shares in Ultimate Products plc ('Plc Shares'), at the discretion of Ultimate Products plc, subject to a cap of 6.25% of the issued share capital of Ultimate Products 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 Ultimate Products plc as at the relevant date had the put options been exercised at such time:

As at 31 July 2023 & 31 July 2022

	Subsidiary Shares Held	Maximum Potential Plc Shares at 31 July	Face Value
Executive Directors			
S Showman	48	—	—
A Gossage	32	—	—

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. On 10 December 2021, G Screawn exercised his put option to acquire 149,722 ordinary shares at 196.19p per share and as such, has no remaining award under the MIP at 31 July 2022. As at 31 July 2021, the share price of Ultimate Products plc was above the hurdle price and the awards had vested, so the put options were exercisable at such date. As at both 31 July 2022 and 31 July 2023, the share price of Ultimate Products plc was below the hurdle price so, at that date, the put option would not be exercisable.

### 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
<b>Executive Directors</b>			
S Showman	28 July 2005	28 February 2017	12 Months
A Gossage	28 July 2005	28 February 2017	12 Months
C Dent	4 April 2022	4 April 2022	6 Months
<b>Non-executive Directors</b>			
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
J Easterbrook	21 September 2020	21 September 2020	1 Month
C Adshead	21 September 2020	21 September 2020	1 Month

All other Outside appointments are disclosed in the Director biographies set out on pages 40 and 41 of the Annual Report.

# Remuneration Committee Report continued

## Remuneration Report continued

### Payments for loss of office (audited)

There have been no such payments made in either the year ended 31 July 2023 or the comparative period.

### Payments to former Directors (audited)

G Screawn left office on 28 June 2022. During the year, the Remuneration Committee determined that 101,185 shares of the 2019 PSP scheme had vested, being 81% of the total potential award. The award had 4 different conditions: Condition 1 (50% of award) was based on EPS growth at a Threshold of 19% and Stretch of 25%, and it was determined that 62% had vested. Condition 2 (15% of awards) was based on a stretch target of Gross Margin of 22.8%, and on a result of 24.9% it was determined that 100% had vested. Condition 3 (10%) was based on decreasing leverage to 0.7x. Leverage excluding the debt taken on for the Salter acquisition was below this level, so it was determined that 100% had vested. Condition 4 (25%) was based on improvements in broader financial reporting and risk management, and it was determined that 100% had vested. On 19 December 2022, G Screawn exercised 65,999 options at an average price of 27 pence per shares, with a total net gain of £76,290.

### Directors' shareholdings (audited)

The table below sets out the total number of shares held at 31 July 2023 by each Director of the Company.

	A Ordinary shares owned <sup>1</sup>	Shares owned outright	Shares under option	Potential MIP shares <sup>1</sup>	Deferred bonus shares <sup>2</sup>
<b>Executive Directors</b>					
S Showman	48	18,530,600	–	–	–
A Gossage	32	8,052,400	–	–	–
C Dent	–	73,855	40,000	–	–
<b>Non-executive Directors</b>					
J McCarthy	–	1,000,000	–	–	–
A Rigby	–	25,000	–	–	–
R Bell	–	502,144	–	–	–
C Adshead	–	–	–	–	–
J Easterbrook	–	–	–	–	–

1 The A Ordinary shares held in UP Global Sourcing UK Limited give rise to a potential entitlement to acquire additional shares in Ultimate Products plc, as explained in the "Long-Term Incentive Plan" section above. The share price at 31 July 2023 did not exceed the hurdle price and as such, the potential MIP shares at 31 July 2023 were nil. G Screawn exercised his award on 10 December 2021.

- 2 Pursuant to the Remuneration Policy, 30% of the award payable under the Annual Bonus Plan to C Dent in respect of the year ended 31 July 2023 will be deferred into shares that will vest in three equal tranches after one, two and three years. The legal title to these shares will be held under a nominee agreement by JTC Employer Solutions 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. Similarly, 30% of the award payable under the Annual Bonus Plan to S Showman and A Gossage for the years ended 31 July 2021 and 31 July 2022 were deferred in the same way.

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 2023:

	Shares owned outright at 3 November 2022	Shares owned outright 31 July 2023	Shares held under share options 31 July 2023	Potential MIP shares 31 July 2023	Deferred bonus shares 31 July 2023	Shares owned outright at 31 October 2023
S Showman	18,530,600	18,530,600	–	–	–	18,530,600
A Gossage	8,052,400	8,052,400	–	–	–	8,052,400
C Dent	50,000	73,855	40,000	–	–	73,855
J McCarthy	1,000,000	1,000,000	–	–	–	1,000,000
A Rigby	25,000	25,000	–	–	–	25,000
R Bell	502,144	502,144	–	–	–	502,144
C Adshead	–	–	–	–	–	–
J Easterbrook	–	–	–	–	–	–

### Shareholding requirement

	Base Salary <sup>1</sup> £	Total Shareholding	Shareholding Requirement as % of Salary	Shareholding Requirement <sup>2</sup>	Actual Shareholding as % of Requirement
S Showman	386,587	18,530,600	250%	770,094	2406%
A Gossage	267,876	8,052,400	250%	533,618	1509%
C Dent <sup>3</sup>	159,500	73,855	125%	158,865	46%

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

2 Salary divided by the 31 July 2023 share price of 125.5p, multiplied by percentage of salary.

3 C Dent was appointed on 4 April 2022 and is in the process of building up his shareholding to the required 125% of salary within the maximum period of five years as required by the Remuneration Policy; the Committee will continue to monitor this process. In the prior year the comparative was 30% actual shareholding as % of the requirement.



# Remuneration Committee Report continued

## Remuneration Report continued

### 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. The FTSE All Share has been chosen as the appropriate comparator, as Ultimate Products 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 the period since IPO:

Chief Executive	Year	Single Figure Remuneration £'000	Annual Bonus (% of maximum)	PSP Vesting (% of maximum)
S Showman	2023	627	60%	Nil
S Showman	2022	437	10%	Nil
S Showman	2021	595	60%	Nil
S Showman <sup>1</sup>	2020	345	Nil	Nil
S Showman	2019	710	79%	Nil
S Showman	2018	382	Nil	Nil
S Showman	2017	1,434	Nil	Nil

<sup>1</sup> It is noted that the single figure remuneration for 2020 includes the impact of a salary reduction that was taken by S Showman as a result of the COVID pandemic.

### 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.

	2023 £'000	2022 £'000	% Change
Total employee costs (note 7 – Financial Statements)	17,854	15,505	18.2%
Dividends	6,591*	6,359*	3.6%

\* Dividends declared and proposed in respect of the year ended 31 July 2022 and 2023, including any such amounts waived.

### CEO pay ratio

New legislation came into effect in the year ended 31 July 2020 which required 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 Group's 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	25th percentile	Median	75th percentile
Year ended 31 July 2022	A	17.6:1	15.3:1	10.8:1
Year ended 31 July 2023	A	25.4:1	22.5:1	15.3:1

# Remuneration Committee Report continued

## Remuneration Report continued

### CEO pay ratio continued

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 years ended 31 July 2022 and 31 July 2023. 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 2022 and 31 July 2023. The total pay and benefits and the base salary component of total pay and benefits are set out as follows:

	Base Salary 2023 £	Total pay and benefits 2023 £	Base Salary 2022 £	Total pay and benefits 2022 £
CEO remuneration	386,587	627,112	352,546	437,425
25th percentile employee	24,000	24,720	21,336	24,802
Median employee	27,000	27,810	27,670	28,500
75th percentile employee	34,000	41,020	37,021	40,601

- 1 The base salary for the CEO excludes car allowance and pension payments taken as cash. These amounts are included in total pay and benefits.
- 2 There has been an increase in the ratios for the financial year ending 31 July 2023, which is driven primarily by the higher bonus outcomes. It is to be expected that the ratio will vary from year-to-year, primarily as the CEO's package consists of a much higher level of variable pay that is dependent on performance, whereas the wider workforce remuneration is predominantly fixed in nature, which is normal practice for these roles. In this context, the Committee is satisfied that the ratios are appropriate and fair.

### 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 2023, 31 July 2022 and 31 July 2021 compared to that of the average pay of all employees of the Group.

	Salary/fees			Benefits			Bonus		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
<b>Executive Directors</b>									
S Showman	+13.9%	+4.3%	+5.0%	-3.9%	+1.1%	+0.5%	+100%	-82.6%	+526.6%
A Gossage	+13.9%	+4.2%	+5.0%	-3.0%	+1.2%	+0.6%	+100%	-76.8%	+457.0%
C Dent	N/A	N/A	+10.0%	N/A	NA	+4.3%	N/A	N/A	+100%
<b>Non-executive Directors</b>									
J McCarthy	+17.2%	+3.5%	+5.0%	0%	0%	0%	—	—	—
A Rigby	+5.2%	+3.5%	+5.0%	0%	0%	0%	—	—	—
R Bell	+5.2%	+3.5%	+5.0%	0%	0%	0%	—	—	—
C Adshead	N/A	+3.5%	+5.0%	N/A	0%	0%	N/A	—	—
J Easterbrook	N/A	+3.5%	+5.0%	N/A	0%	0%	N/A	—	—
<b>Average pay of all employees<sup>2</sup></b>	<b>+4.9%</b>	<b>+7.6%</b>	<b>+10.5%</b>	<b>-2.3%</b>	<b>-11.9%</b>	<b>+18.8%</b>	<b>-104.9%</b>	<b>-11.8%</b>	<b>-2.0%</b>

- 1 The salary used in the calculation excludes the pension contributions that were paid as salary but includes car allowances.
- 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 relevant comparator.

# Remuneration Committee Report continued

## Remuneration Report continued

### Statement on implementation of remuneration policy in the following financial year

#### Base salary

As described in the Chair's statement, the base salaries for the Executive Directors were reviewed during the year. The resulting rates of salary are as follows:

	Fee from 1 March 2022 £	Fee from 1 July 2023 £
S Showman	368,178	386,587
A Gossage	255,120	267,876
C Dent	145,000	159,500

#### Benefits and pension

There are no planned changes to the provision of benefits for FY24. S Showman and A Gossage will receive a pension contribution of 7%. C Dent will receive a pension contribution of 3.5%, aligned to the wider workforce level.

#### Incentive awards

As set out in the Directors' Remuneration Policy in this report, the maximum incentive opportunity for C Dent will be 140% of salary. Under the awards for FY24, 71% of the maximum bonus opportunity is again based on the achievement of an Adjusted EBITDA target and 29% on achievement of personal objectives. In relation to the award, up to 70% will be paid in cash at the end of the performance period and up to 100% deferred into shares for four years. The awards will also be subject to malus and clawback provisions.

For S Showman and A Gossage, the maximum incentive opportunity will be 100% of salary. Under the awards for FY24, 75% of the maximum bonus opportunity is again based on the achievement of an Adjusted EBITDA target and 25% on achievement of personal objectives. Up to 70% of salary will be paid following the performance period in cash, and up to 30% of salary deferred into cash vesting over a period of three years.

The 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.

### Non-executive Director fees

The rate of fees for the Chairman and Non-executive Directors were reviewed during the year. The resulting fees are as follows:

	Fee from 1 March 2022 £	Fee from 1 July 2023 £
Chairman of the Board	88,000	92,400
Non-executive Director base fee	43,470	45,644
Additional fee for chairing Audit Committee	10,000	10,000
Additional fee for chairing Remuneration Committee	10,000	10,000
Additional fee for Chairing ESG Committee	10,000	10,000

### Consideration of matters relating to Directors' remuneration

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

- C Adshead
- A Rigby
- J McCarthy
- R Bell
- J Easterbrook

# Remuneration Committee Report continued

## Remuneration Report continued

### Statement on implementation of remuneration policy in the following financial year continued

#### External advisers

The adviser to the Committee during the year was RSM UK Tax & Advisory Services LLP (RSM) until the appointment of PricewaterhouseCoopers LLP (PwC) in June 2023 following a tender process carried out during the year.

RSM provided 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 Committee is comfortable that the RSM engagement partner and team that provided remuneration advice to the Committee do not have connections with the Company that may impair their independence. RSM were paid fees of £11,500 for Committee matters in the year to 31 July 2023.

PwC is a member of the Remuneration Consultants Group and a signatory to its Code of Conduct and the Committee is therefore satisfied that the advice PwC will provide is objective and independent.

#### Statement of shareholder voting

Shareholder voting in relation to the resolutions to approve the Directors' Remuneration Policy (December 2020 AGM) and the Directors' Remuneration Report (December 2022 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	60,615,515	99.37%	381,321	0.63%	31,338
To receive and approve the Directors' Remuneration Report	64,541,581	93.47%	4,508,464	6.53%	1,148

The Remuneration Report was approved by the Board on 30 October 2023.

On behalf of the Board

**Christine Adshead**

Chair of the Remuneration Committee

30 October 2023



## 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 2023.

### Strategic Report

The Companies Act 2006 requires the Directors to present a review of the business during the year to 31 July 2023 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 5 to 38 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 40 to 75 and is incorporated by reference into this Directors' Report.

### Results and dividends

The Group's profit after tax for the financial year ended 31 July 2023, was £12.6m (2022: £12.4m). In line with our policy of distributing 50% of the Group's adjusted profit after tax, the Board is pleased to propose a final dividend of 4.95p per share (2022: 4.82p per share). This takes the total dividend for the year to 7.38p per share (2022: 7.12p per share). Subject to shareholder approval at the AGM on 15 December 2023, the final dividend will be paid on 26 January 2024 to shareholders on the register at the close of business on 29 December 2023.

### Future developments

In accordance with s414A of the Companies Act 2006, the Group has disclosed future developments within its Strategic Report on pages 5 to 38.

### Directors

Names, biographical details and appointment dates of the Directors of the Company at the date of this report are shown on pages 40 and 41.

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.

### 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 £10m 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 company within the Group made any political donations or incurred any political expenditure in the year (2022: £Nil).

### Post balance sheet events

On 30 October 2023, the Company changed its name from UP Global Sourcing Holdings plc to Ultimate Products plc. In addition, the Directors propose a final dividend, as set out in note 11 to the Financial Statements.

### Global operations

The Group's head office and primary distribution facilities are in Oldham. In addition, the Group also has a presence in China, Germany, France and Poland. The registered Representative Office in China 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 branches in Germany and Poland employ local sales teams to 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 (ECG) and employee annual People Engagement Survey, which is led by the ECG.

### 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.

## Directors' Report and other statutory disclosures continued

### Substantial shareholdings

As at the date of this report, 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	13,582,548	15.21 %	indirect
Ennismore Fund Management Limited	7,942,431	8.89 %	indirect
Slater Investments Limited	3,646,756	4.08 %	indirect
UP Global Sourcing Employee Benefit Trust	3,033,595	3.40%	indirect

### Relationships with controlling shareholders

Under Listing Rule 9.8.4R(14) the Company has entered into a relationship agreement with the controlling concert party. During the period the Company has complied with the independence provisions in the agreement, and as far as the Company is aware the controlling concert party has also complied with the independence provisions and the procurement obligation in the agreement.

### Share capital

At 31 July 2023, the Company's entire issued share capital comprised a single class of 89,312,457 ordinary shares of 0.25p each. Further details of the Company's issued share capital, together with details of shares allotted during the year, is shown in note 22 to the Financial Statements. 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.

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.

A dividend waiver is in place in respect of the Trustee's shareholdings under the Ultimate Products Employee Benefit Trust (UP EBT). Unless the Company directs that the Trustee may vote on a particular occasion, the Trustee abstains from voting in respect of the shares it holds for the benefit of the UP 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 2023, pursuant to shareholder resolutions passed on 16 December 2022, the Company 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 2021). Such authorities will expire at the conclusion of the AGM of the Company on 15 December 2023. It is proposed that such authorities are renewed at the AGM for 2023, as detailed in the AGM Notice.

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

### Change of control

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

### Articles of Association

The Company's Articles may only be amended by a special resolution at a general meeting of shareholders. No amendments are proposed to be made to the existing Articles at the 2023 AGM.

### Carbon emission reporting

Disclosures regarding greenhouse gas emissions, energy consumption and energy efficiency action are included in the Strategic Report on page 29. 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 21.

## Directors' Report and other statutory disclosures continued

### 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 by Ultimate Products UK Limited was extended on 21 January 2020 on normal commercial terms. The lessor is Berbar Properties Limited, a company of which former Director Barry Franks is a director and sole shareholder. The lease is for a term of ten 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 27 June 2023 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 seven years and the current rent is £387,500 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 75. 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 38 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 2023 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	Page 112
(4)	Details of long-term incentive schemes	Pages 50 to 71
(5)	Waiver of emoluments by a Director	Not applicable
(6)	Waiver of future emoluments by a Director	Not applicable
(7)	Non-pre-emptive issues of equity for cash	Not applicable
(8)	Item (7) in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)	Contracts of significance	Page 74
(11)	Provision of services by a controlling shareholder	Remuneration Report
(12)	Shareholder waivers of dividends	Page 73
(13)	Shareholder waivers of future dividends	Page 73
(14)	Agreements with controlling shareholders	Directors Report

### 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 PKF Littlejohn 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 2023 AGM.

### Annual General Meeting

The Company's AGM will be held at 14:00 pm on 15 December 2023 at the Company's registered office, Manor Mill, Oldham, OL9 0DD. The Notice of the AGM accompanies this Annual Report and will be available on the Group's website at [www.upplc.com](http://www.upplc.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

**Chris Dent**  
Company Secretary

30 October 2023

## Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with UK adopted international accounting standards and 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 and Company financial statements in accordance with UK adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group and Company for that period. In preparing the 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 UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business; and
- prepare a Directors' Report, a 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.

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 provides 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 the 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 financial statements have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and Company.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

This Directors' Report and responsibility statement was approved by the Board of Directors on 30 October 2023 and is signed on its behalf by

**Chris Dent**

**Company Secretary**

30 October 2023



## Financial Statements

# Providing the Best service

### Financial Statements

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# Independent Auditor's Report

To the members of Ultimate Products plc

## Opinion

We have audited the financial statements of Ultimate Products plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 July 2023 which comprise of the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards 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 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards 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.

## 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 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 going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Reading management's assessment that supports the Board's conclusions about the appropriateness of using the going concern basis for the preparation of the financial statements and assessed the adequacy and accuracy of the disclosures made in the financial statements around going concern;
- evaluating management's historical forecasting accuracy by comparing performance to budgets from prior financial periods;
- testing the assessment and underlying forecasts for mathematical accuracy;
- We obtained an understanding of the financing facilities from the finance agreements, including the nature of the facilities, covenants and attached conditions;
- agreeing the underlying cash flow projections to management-approved forecasts, recalculating the impact on banking covenants and liquidity headroom for the base case scenario;
- assessing whether key inputs and assumptions, including sales growth rates, gross profit margins, overheads and financing cashflows made were reasonable;
- performing independent sensitivity analysis on management's key assumptions, including applying incremental adverse cash flow sensitivities. The sensitivity analysis included the impact of certain severe but plausible scenarios, evaluated as part of management's work on the group's viability, including pandemic disruption, operational disruption, technology displacement and increase in cost of inflation;
- evaluating the amount and timing of identified mitigating actions available to respond to a severe downside scenario, such as ability to restrict capital expenditure and cash payments associated with dividends and whether those actions are feasible and within the group's control; and
- considering the appropriateness of management's downside scenario, to understand how severe conditions would have to be to breach liquidity and whether the reduction in Earnings Before Interest Taxes Depreciation and Amortisation (EBITDA) required has no more than a remote possibility of occurring.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

# Independent Auditor's Report

To the members of Ultimate Products plc continued

In relation to the entities reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the director's considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Our application of materiality

For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed, or influenced. We also determine a level of performance materiality which we use to assess the extent of testing needed 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.

Materiality for the group financial statements as a whole was set as £825,000. This was calculated based upon 5% of profit before tax due to the group's profitability and since it is one of the group's key performance indicators. Performance materiality and the triviality threshold for the consolidated financial statements was set at £495,000 and £41,250 respectively due to the number of significant risks and this being our first year of engagement.

Materiality for the parent company financial statements as a whole was set as £480,000. This was calculated based upon 1.5% of gross assets due to significant value of, and focus on, the investment in and balances due from subsidiaries. Performance materiality and the triviality threshold for the parent company was set at £288,000 and £24,000 respectively due to the number of significant risks identified and this being our first year of engagement.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £740,000 and £800,000.

We also agreed to report to the Audit Committee any other audit misstatements below the triviality thresholds established above which we believe warranted reporting on qualitative grounds.

## Our approach to the audit

In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain such as the valuation of non-contractual rebates. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The group has two trading companies within the consolidated financial statements, both of which are based in the UK. We identified two significant components: the parent company – Ultimate Products plc; and the subsidiary UP Global Sourcing UK Limited, which were subject to a full scope audit by a team with relevant sector experience undertaken from our office based in London. We engaged the assistance of a component auditor to assist with inventory count procedures, as we were not able to visit an overseas third party warehouse.

The other four entities within the group were assessed as being not material, insignificant components and therefore only analytical procedures at a group level were performed in respect of these entities.

## 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) 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.

# Independent Auditor's Report

To the members of Ultimate Products plc continued

## Key audit matters continued

Key Audit Matter	How our scope addressed this matter
<b>Customer rebates (Note 4)</b> <p>The group has a number of rebate agreements in place with its customers. As described in note 4, management are required to exercise estimation and judgement when estimating rebate charges in the year and year-end rebate accruals (£2,932k). This estimation and judgement includes estimating the revenue up to the end of the rebate periods and estimating rebates where a contractual agreement is not in place.</p> <p>Given the degree of estimation and judgement required to be exercised by management and the value of both rebates in the year and accrued rebates at the year-end, we consider the accounting for rebates to be a key audit matter.</p>	<p>Our procedures included but were not limited to</p> <ul style="list-style-type: none"> <li>• Obtaining a listing of both contractual and non-contractual rebates as at the year-end and agreeing the amounts per listing to the financial statements;</li> <li>• For a sample of contractual and non-contractual rebates recorded in the year, agreeing to supporting documentation and ascertaining and challenging the key assumptions, estimates and judgements made by management;</li> <li>• For a sample of contractual and non-contractual rebates accrued for, these were agreed to supporting agreements, sales data and invoices;</li> <li>• Reviewing a sample of rebates accrued as at 31 July 2022 and ascertaining the movement in the year through discussion with management;</li> <li>• Reviewing rebates settled post year-end and considering whether there are any indications that rebates accrued as at 31 July 2023 were not complete; and</li> <li>• Ascertaining the value of rebates and sales recognised in the current year and prior year in respect of an appropriate sample of customers and discussing the reason for significant movements with management to assess whether there are any indications that rebates accrued as at 31 July 2023 are not complete.</li> </ul> <p>Based on the procedures performed, we are satisfied that the estimates made by management in calculating, both, the rebate charges for the year and the year end accrued rebates, to be reasonable.</p>

Key Audit Matter	How our scope addressed this matter
<b>Revenue recognition (Note 5)</b> <p>The group has a number of material revenue streams. These revenue streams have their own distinct revenue recognition policies according to the point in time at which each performance obligation is satisfied.</p> <p>Given the material value of sales and the number of different revenue streams, there is a risk that the various streams of revenue are not accounted for in the correct period in accordance with the underlying contractual terms of sale and IFRS 15 Revenue from Contracts with Customers.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining and documenting an understanding of the information systems and related controls relevant to each material revenue stream during the year ended 31 July 2023;</li> <li>• Evaluating the appropriateness of the information systems and the effectiveness of the design and implementation of the related controls over the various revenue streams;</li> <li>• Performing a review in accordance with IFRS 15 for all material revenue streams and comparing with the entity's accounting policy to ensure compliance with the relevant financial reporting framework;</li> <li>• Obtaining records of all sales invoices, sales orders and good despatch notes raised in the year and comparing and reconciling revenue to these three categories of documents. We also reviewed and tested an appropriate sample of reconciling items.;</li> <li>• Reconciling revenue per the sales invoice listing to revenue recognised within the nominal ledger for the year;</li> <li>• Selecting a sample of credit notes raised during the year to ensure they have been appropriately raised and authorised. Also selecting a sample of credit notes raise post year-end to ensure they have been recognised in the correct period and assessing whether there is an indication that revenue recognised in FY2023 is overstated; and</li> <li>• Considering the valuation and completeness of deferred revenue by assessing, for those streams where the risks and rewards of ownership transfer on delivery, the value of goods dispatched but not delivered at the year-end.</li> </ul> <p>Based on conducting the aforementioned procedures, we found that the revenue recognition policies for each revenue stream were consistently applied and reasonable.</p>



# Independent Auditor's Report

To the members of Ultimate Products plc continued

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their 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.

## Corporate governance statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's and parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 75;
- Directors' explanation as to their assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 38;
- Directors' statement on whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities set out on page 38;
- Directors' statement that they consider the annual report and the financial statements, taken as a whole, to be fair, balanced and understandable set out on page 75;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 48;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 48; and
- The section describing the work of the audit committee set out on page 46.

## Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the group and parent company 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 group and parent company 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.

# Independent Auditor's Report

To the members of Ultimate Products plc continued

## 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. 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 in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from Listing Rules, UK Companies Act 2006, Disclosure and Transparency Rules, UK Corporate Governance Code, The Consumer Protection Act 1987, and The Money Laundering and Terrorist Financing (Amendment) Regulations 2019.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
  - enquiries of management, review of board minutes, review of the Company's and subsidiaries' legal expenses and a review of Regulatory News Service announcements.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there was potential for management bias in relation to the estimates and judgements made in accounting for customer rebates and we addressed this by challenging the assumptions and judgments made by management and conducting procedures to gain assurance over the completeness and accuracy of accrued rebates.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Other matters which we are required to address

We were appointed by the Audit Committee on 30 June 2023 to audit the financial statements for the period ending 31 July 2023 and subsequent financial periods. Our total uninterrupted period of engagement is 1 year, covering only the period ending 31 July 2023.

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 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 company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Joseph Archer (Senior Statutory Auditor)**  
For and on behalf of PKF Littlejohn LLP  
Statutory Auditor

30 October 2023

15 Westferry Circus  
Canary Wharf  
London E14 4HD

## Consolidated Income Statement

For the year ended 31 July 2023

	Note	2023 £'000	2022 £'000
<b>Revenue</b>	5	166,315	154,191
Cost of sales		(123,568)	(115,837)
<b>Gross profit</b>		42,747	38,354
Adjusted earnings before interest, tax, depreciation, amortisation, share-based payments & non-recurring items ('Adjusted EBITDA')		20,213	18,750
Depreciation and loss on disposal of fixed assets	6	(2,238)	(2,044)
Amortisation of intangibles	6	(22)	(22)
Share-based payment expense	23	(837)	(403)
Non-recurring items	6	–	–
Total administrative expenses		(25,631)	(22,073)
<b>Operating profit</b>	6	17,116	16,281
Finance expense	8	(1,132)	(842)
<b>Profit before tax</b>		15,984	15,439
Tax expense	9	(3,398)	(3,069)
<b>Profit for the year attributable to equity holders of the Company</b>		12,586	12,370
All amounts relate to continuing operations			
<b>Earnings per share</b>			
Basic	10	14.6	14.3
Diluted	10	14.3	13.9

## Consolidated Statement of Comprehensive Income

For the year ended 31 July 2023

	2023 £'000s	2022 £'000s
<b>Profit for the year</b>	12,586	12,370
Items that may subsequently be reclassified to the income statement		
Fair value movements on cash flow hedging instruments	(1,329)	3,239
Hedging instruments recycled through the income statement at the end of hedging relationships	(3,445)	162
Deferred tax relating to cashflow hedges	875	–
Items that will not subsequently be reclassified to the income statement		
Foreign currency translation	(2)	11
<b>Other comprehensive (loss)/income</b>	(3,901)	3,412
<b>Total comprehensive income for the year attributable to the equity holders of the Company</b>	8,685	15,782

# Consolidated Statement of Financial Position

At 31 July 2023

	Note	2023 £'000	2022 £'000
<b>Assets</b>			
Intangible assets	13	37,003	37,025
Property, plant and equipment	14	8,443	6,369
<b>Total non-current assets</b>		45,446	43,394
Inventories	16	28,071	29,162
Trade and other receivables	17	29,890	32,194
Derivative financial instruments	21	1,233	4,142
Cash and cash equivalents		5,086	6,202
<b>Total current assets</b>		64,280	71,700
<b>Total assets</b>		109,726	115,094
<b>Liabilities</b>			
Trade and other payables	18	(30,005)	(29,644)
Derivative financial instruments	21	(1,806)	–
Current tax		–	(170)
Borrowings	19	(15,891)	(22,314)
Lease liabilities	20	(836)	(817)
Deferred consideration		–	(987)
<b>Total current liabilities</b>		(48,538)	(53,932)
<b>Net current assets</b>		15,742	17,768

	Note	2023 £'000	2022 £'000
Borrowings	19	(3,990)	(8,144)
Deferred tax	15	(6,797)	(7,585)
Lease liabilities	20	(4,262)	(1,940)
<b>Total non-current liabilities</b>		(15,049)	(17,669)
<b>Total liabilities</b>		(63,587)	(71,601)
<b>Net assets</b>		46,139	43,493
<b>Equity</b>			
Share capital	22	223	223
Share premium	22	14,334	14,334
Employee Benefit Trust reserve	22	(1,989)	(1,571)
Share-based payment reserve	22	1,817	1,166
Hedging reserve	22	(660)	3,239
Retained earnings		32,414	26,102
<b>Equity attributable to owners of the Group</b>		46,139	43,493

These Financial Statements were approved by the Board of Directors and authorised for issue on 30 October 2023 and signed on its behalf by:

**Simon Showman**  
Chief Executive Officer

**Chris Dent**  
Chief Financial Officer

Company registered number: 5432142



# Company Statement of Financial Position

At 31 July 2023

	Note	2023 £'000	2022 £'000
<b>Assets</b>			
Investments	12	20,810	19,974
Trade and other receivables	17	–	33,151
<b>Total non-current assets</b>		20,810	53,125
Trade and other receivables	17	9,040	431
Derivative financial instruments		587	106
Cash		49	–
<b>Total current assets</b>		9,676	537
<b>Total assets</b>		30,486	53,662
<b>Liabilities</b>			
Trade and other payables	18	(264)	(11,204)
Borrowings	19	(1,937)	(1,937)
Deferred consideration		–	(987)
<b>Total current liabilities</b>		(2,201)	(14,128)
<b>Net current assets/(liabilities)</b>		7,475	(13,591)
Borrowings	19	(3,990)	(8,434)
<b>Total non-current liabilities</b>		(3,990)	(8,434)
<b>Total liabilities</b>		(6,191)	(22,562)
<b>Net assets</b>		24,295	31,100

	Note	2023 £'000	2022 £'000
<b>Equity</b>			
Share capital	22	223	223
Share premium	22	14,334	14,334
Share-based payment reserve	22	1,817	1,166
Hedging reserve	22	385	268
Retained earnings		7,536	15,109
<b>Total equity</b>		24,295	31,100

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 loss for the year was £1,595,000 (2022: loss of £338,000) and the total comprehensive income for the year was a loss of £1,478,000 (2022: loss of £97,000).

These Financial Statements were approved by the Board of Directors and authorised for issue on 30 October 2023 and signed on its behalf by:

**Simon Showman**  
Chief Executive Officer

**Chris Dent**  
Chief Financial Officer

Company registered number: 5432142

# Consolidated Statement of Changes in Equity

For the year ended 31 July

	Note	Share capital £'000	Share premium £'000	EBT reserve £'000	Share-based payment reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total Equity £'000
<b>As at 31 August 2021</b>		223	14,334	(2,152)	1,024	(162)	18,788	32,055
Profit for the year		–	–	–	–	–	12,370	12,370
Foreign currency retranslation		–	–	–	–	–	11	11
Cash flow hedging movement		–	–	–	–	3,401	–	3,401
Total comprehensive income for the year		–	–	–	–	3,401	12,381	15,782
Transactions with shareholders:								
Dividends paid	11	–	–	–	–	–	(4,830)	(4,830)
Share-based payments	23	–	–	–	142	–	(29)	113
Purchase/Sale of shares by the EBT		–	–	581	–	–	(208)	373
<b>As at 31 July 2022</b>		223	14,334	(1,571)	1,166	3,239	26,102	43,493
Profit for the year		–	–	–	–	–	12,586	12,586
Foreign currency retranslation		–	–	–	–	–	(2)	(2)
Cash flow hedging movement		–	–	–	–	(4,774)	–	(4,774)
Deferred tax movement	15	–	–	–	–	875	–	875
Total comprehensive income for the year		–	–	–	–	(3,899)	12,584	8,685
Transactions with shareholders:								
Dividends payable	11	–	–	–	–	–	(6,255)	(6,255)
Share-based payments charge	23	–	–	–	837	–	–	837
Deferred tax on share-based payments	15	–	–	–	–	–	(88)	(88)
Transfer of reserve on exercise/ cancellation of share award		–	–	–	(186)	–	186	–
Transfer of shares by the EBT to employees on exercise of share award		–	–	297	–	–	(115)	182
Purchase of own shares by the EBT		–	–	(715)	–	–	–	(715)
<b>As at 31 July 2023</b>		223	14,334	(1,989)	1,817	(660)	32,414	46,139

# Company Statement of Changes in Equity

For the year ended 31 July

	Note	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total Equity £'000
<b>As at 1 August 2021</b>		223	14,334	1,024	27	20,016	35,624
Loss for the year		–	–	–	–	(338)	(338)
Cash flow hedging movement		–	–	–	241	–	241
Total comprehensive income for the year		–	–	–	241	(338)	(97)
Transactions with shareholders:							
Dividends payable	11	–	–	–	–	(4,830)	(4,830)
Share-based payments	23	–	–	142	–	261	403
<b>As at 31 July 2022</b>		223	14,334	1,166	268	15,109	31,100
Profit for the year		–	–	–	–	(1,595)	(1,595)
Cash flow hedging movement		–	–	–	246	–	246
Deferred tax movement	15	–	–	–	(129)	–	(129)
Total comprehensive income for the year		–	–	–	117	(1,595)	(1,478)
Transactions with shareholders:							
Dividends payable	11	–	–	–	–	(6,255)	(6,255)
Share-based payments charge	23	–	–	837	–	–	837
Transfer of reserve on exercise/ cancellation of share award		–	–	(186)	–	186	0
Transfer of shares by the EBT to employees on exercise of share award		–	–	–	–	91	91
<b>As at 31 July 2023</b>		223	14,334	1,817	385	7,536	24,295

# Consolidated Statement of Cash Flows

For the year ended 31 July

	Note	2023 £'000	2022 £'000
<b>Net cash flow from operating activities</b>			
Profit for the year		12,586	12,370
Adjustments for:			
Finance costs	8	1,132	842
Income tax expense	9	3,399	3,069
Depreciation	14	2,218	2,044
Amortisation	13	22	22
Loss / (Gain) on disposal of non-current assets		20	–
Derivative financial instruments		(199)	274
Share-based payments	23	837	403
<b>Working capital adjustments</b>			
Decrease/(Increase) in inventories	16	1,090	(7,721)
Decrease/(Increase) in trade and other receivables	17	2,691	(5,649)
Increase in trade and other payables	18	559	1,221
<b>Net cash from operations</b>		24,355	6,875
Income taxes paid		(3,957)	(2,345)
<b>Cash generated from operations</b>		20,398	4,530
<b>Cash flows used in investing activities</b>			
Acquisition of subsidiary- deferred consideration		(987)	(1,960)
Purchase of property, plant and equipment		(999)	(1,843)
<b>Net cash used in investing activities</b>		(1,986)	(3,803)

	Note	2023 £'000	2022 £'000
<b>Cash flows used in financing activities</b>			
Sale of own shares		(532)	373
Proceeds from borrowings		2,753	14,347
Repayment of borrowings		(13,412)	(2,766)
Principal paid on lease obligations		(840)	(936)
Debt issue costs paid		(94)	–
Dividends paid	11	(6,255)	(4,830)
Interest paid		(1,147)	(850)
<b>Net cash (used in)/generated by finance activities</b>		(19,527)	5,338
<b>Net (decrease)/increase in cash and cash equivalents</b>		(1,115)	6,065
Exchange gains/(losses) on cash and cash equivalents		(1)	4
<b>Cash and cash equivalents brought forward</b>		6,202	133
<b>Cash and cash equivalents carried forward</b>		5,086	6,202

## Reconciliation of cash flow to the Group net debt position

Group	Overdraft £'000	Term Loan £'000	RCF £'000	Invoice discounting £'000s	Import loans £'000s	Loan Fees £'000	Leases £'000	Total liabilities from financing activities £'000	Cash £'000	Net debt £'000
<b>At 1 August 2021</b>	–	(10,000)	(2,983)	(3,290)	(2,759)	234	(2,801)	(21,599)	133	(21,466)
Financing cash flows	(6,020)	2,000	766	(2,907)	(5,420)	–	936	(10,645)	6,020	(4,625)
Other cash flows	–	–	–	–	–	–	–	–	45	45
Other changes	–	–	–	–	–	(79)	(892)	(971)	4	(967)
<b>At 31 July 2022</b>	(6,020)	(8,000)	(2,217)	(6,197)	(8,179)	155	(2,757)	(33,215)	6,202	(27,013)
Financing cash flows	1,016	2,000	2,217	(2,753)	8,179	94	840	11,593	–	11,593
Other cash flows	–	–	–	–	–	–	–	–	(1,115)	(1,115)
Other changes	–	–	–	–	–	(176)	(3,181)	(3,357)	(1)	(3,358)
<b>At 31 July 2023</b>	(5,004)	(6,000)	–	(8,950)	–	73	(5,098)	(24,979)	5,086	(19,893)



# Company Statement of Cash Flows

For the year ended 31 July 2023

	Note	2023 £'000	2022 £'000
<b>Net cash flow from operating activities</b>			
Profit/(loss) for the year		(1,595)	(338)
<b>Adjustments for:</b>			
Finance and dividend income		–	(81)
Finance costs		392	349
Impairment of loans from Group undertakings		2,406	–
Income tax charge/(credit)		159	(73)
<b>Working capital adjustments</b>			
(Increase)/Decrease in trade and other receivables		(36)	53
(Decrease)/Increase in trade and other payables		(4)	(1,251)
<b>Net cash generated from/(used in) operations</b>		1,322	(1,341)
<b>Cash flows from investing activities</b>			
Movement in loans from Group undertakings		10,784	9,539
Acquisition of subsidiary- deferred consideration		(987)	(851)
Dividends received		–	81
<b>Net cash generated from investing activities</b>		9,797	8,770
<b>Cash flows used in financing activities</b>			
Repayment of borrowings		(4,507)	(2,178)
Proceeds from sale of shares		92	–
Debt issue costs paid		(94)	–
Dividends paid	11	(6,255)	(4,830)
Interest paid		(306)	(421)
<b>Net cash used in by finance activities</b>		(11,070)	(7,429)
<b>Net increase in cash and cash equivalents</b>		49	–
<b>Cash and cash equivalents brought forward</b>		–	–
<b>Cash and cash equivalents carried forward</b>		49	–

## Reconciliation of cash flow to the Company net debt position

Company	Term Loan £'000	RCF £'000	Loan fees £'000	Total liabilities from financing activities £'000	Cash £'000	Net debt £'000
<b>At 1 August 2021</b>	(10,000)	(2,684)	198	(12,486)	–	(12,486)
Financing cash flows	2,000	177	–	2,177	–	2,177
Other changes	–	–	(62)	(62)	–	(62)
<b>At 31 July 2022</b>	(8,000)	(2,507)	136	(10,371)	–	(10,371)
Financing cash flows	2,000	2,507	94	4,601	–	4,601
Other cash flows	–	–	–	–	49	49
Other changes	–	–	(157)	(157)	–	(157)
<b>At 31 July 2023</b>	(6,000)	–	73	(5,927)	49	(5,878)

# Notes to the financial statements

## 1. General information

Ultimate Products plc ('the Company') (formerly UP Global Sourcing Holdings plc) 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 Ultimate Products plc, Manor Mill, Victoria Street, Chadderton, Oldham OL9 0DD.

## 2. Basis of preparation

The consolidated Group Financial Statements have been prepared in accordance with UK adopted international financial reporting standards. The Consolidated 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

The Directors have adopted the going concern basis in preparing these accounts after assessing the principal risks and having considered the impact of severe but plausible downside scenarios, including pandemic type restrictions, supply chain issues and demand led falls in revenue due to inflation and rises in interest rates. The Directors have considered a number of impacts on sales, profits and cash flows, taking into account experiences learnt from previous business interruptions. 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. At the year end the Group had a net bank debt/adjusted EBITDA ratio of 0.7x (FY22: 1.3x), which represents net bank debt of £14.8m (FY21: £24.3m). The Group maintains comfortable levels of headroom within its bank facilities, with headroom at 31 July 2023 of £16.6m (FY22: £17.8m). The Group's banking facilities comprise a term loan of £6.0m (FY22: £8.0m), a revolving credit facility of £8.2m (FY22: £8.2m), an import loan facility of £9.0m (FY22: £9.0m), and an invoice discounting facility with a total limit of £23.5m (FY22: £23.5m).

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.

## 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 2023.

### 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.

## Notes to the financial statements continued

### 3. Accounting policies continued

#### 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.

#### Business combinations

The acquisition method of accounting is used to account for business combinations. The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

#### 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 (£). 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.

#### Cash

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

#### Adjusted Performance Measures (APMs)

APMs are utilised as key performance indicators by the Group and are calculated by adjusting the relevant IFRS measurement by share based payments and non-recurring items. The two main APMs which are used are Adjusted EBITDA and Adjusted EPS. The reconciliation of these items to IFRS measurements can be found in the Chief Financial Officer's Review. APMs are non-GAAP measures and are not intended to replace those financial measurements, but are the measures used by the Directors in their management of the business, and are, therefore, important key performance indicators (KPIs).

#### Revenue recognition

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 it is highly probable that a significant reversal in the amount of cumulative revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

## Notes to the financial statements continued

### 3. Accounting policies continued

#### Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when the dividend is paid. In the case of final dividends, this is when approved by the shareholders at the AGM.

#### 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. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where they are separable from the acquired entity or give rise to other contractual/legal rights and it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably. Goodwill that arises on business combinations and the acquisition of subsidiaries is stated at cost less any impairment losses. Trademarks are amortised over ten years so as to write off the cost of assets less their residual values over their useful lives. Brands are considered to have an indefinite useful life and are therefore not subject to amortisation, and stated at cost less any impairment loss.

#### 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

#### Impairment

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.

#### 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.

#### Taxation

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 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.

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.



## Notes to the financial statements continued

### 3. Accounting policies continued

#### Share-based payments

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.

#### Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

#### 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. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the income statement. 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 12-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.

#### 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.

#### Loans and 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 the statement of comprehensive income 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. 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).

## Notes to the financial statements continued

### 3. Accounting policies continued

#### Leases continued

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.

#### 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 the derivative is designated and effective as a hedging instrument. Derivatives are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires, and the resulting gain or loss is recognised.

#### 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 in other comprehensive income and accumulated in a cash flow hedge 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 recycled to the income statement when the hedged items is purchased, sold or settled. 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 held and recognised in profit or loss when the transaction occurs. 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

The Group has adopted and applied the following standards and amendments in the year, which are relevant to its operations, none of which had a material impact on the financial statements: IFRS 3 ‘Business Combinations’ (amendments); IAS 1 ‘Presentation of Financial Statements’ (amendments); Annual improvement in IFRS Standards 2018–2020. At the date of authorisation of these financial statements, the Group has not applied the following new or revised standards and interpretations that have been issued but are not yet effective: IFRS 17 Insurance Contracts (amendments); Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2); Definition of Accounting Estimates (Amendments to IAS 8); Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12); Amendments to IAS 1 Presentation of Financial Statements (Non-current Liabilities with Covenants & Deferral of Effective Date Amendment); Classification of Liabilities as Current or Non-Current (Amendments to IAS 1); International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12); Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The Directors do not expect that the adoption of the standards, amendments and interpretations listed above will have a material impact on the financial statements of the Group and the Company.

## Notes to the financial statements continued

### 4. Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. Each of the following items contain significant estimates and have the most significant effect on amounts recognised in the financial statements.

#### Inventory provisioning

The Group sells products across a range of categories, 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 £0.5m (2022: £0.4m). See note 16.

#### 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 £2.9m (2022: £2.1m). See note 18.

#### Valuation of derivatives held at fair value

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 21.

#### Valuation of acquired intangibles

On acquisition of a subsidiary or business, the purchase consideration is allocated between the net tangible and intangible assets other than goodwill on a fair value basis, with any excess purchase consideration representing goodwill. The valuation of acquired intangible assets represents the estimated economic value in use, using standard valuation methodologies, including as appropriate, discounted cash flow, relief from royalty and comparable market transactions. Acquired intangible assets are capitalised and amortised systematically over their estimated useful lives, subject to impairment review. The assumptions used are subject to management estimation.

### Impairment Reviews

Goodwill and Brands with indefinite useful lives are subject to annual impairment reviews. An impairment is recognised if the recoverable amount of an asset is estimated to be less than its carrying amount. The recoverable amount of the Group's goodwill and brands has been determined by a value-in-use calculation, the details of which are disclosed in note 13.

### Accounting judgements

#### Revenue Recognition

Revenue Recognition is an inherently complex area of accounting, and involves significant levels of judgement in relation to reviewing individual contracts and determining the point in time that each performance obligation is satisfied. The judgement made is that this occurs when goods are delivered, and control has passed to the customer.

#### Use of Hedge Accounting

Hedge Accounting for financial instruments involves a significant judgement in relation to the judgement that the hedging instruments are to be used to hedge underlying transactions, and are not being used for other purposes. Management has assessed that its use of hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies, and its use of hedge accounting for transactions entered into to manage the cash flow exposures of borrowings is appropriate.

### 5. Revenue

	2023 £'000	2022 £'000
<b>Geographical split by location:</b>		
United Kingdom	115,580	101,050
Germany	15,198	19,231
Rest of Europe	34,447	29,700
Rest of the World	1,090	4,210
<b>Total</b>	<b>166,315</b>	<b>154,191</b>
<b>International sales</b>	<b>50,735</b>	<b>53,141</b>
<b>Percentage of total revenue</b>	<b>31%</b>	<b>35%</b>

# Notes to the financial statements continued

## 5. Revenue continued

Analysis of revenue by brand:	2023 £'000	2022 £'000
Salter	66,599	48,080
Beldray	35,031	39,950
Russell Hobbs (licensed)	16,458	20,165
Progress	7,425	8,287
Petra	3,194	–
Kleeneze	3,378	2,835
<b>Premier brands</b>	<b>132,085</b>	<b>119,317</b>
Other proprietary brands	16,036	17,032
Own label and other	18,194	17,842
<b>Total</b>	<b>166,315</b>	<b>154,191</b>

Analysis of revenue by product:	2023 £'000	2022 £'000
Small domestic appliances	66,813	57,032
Housewares	48,008	54,539
Laundry	18,163	14,799
Audio	15,545	12,907
Heating and cooling	6,214	5,870
Others	11,572	9,044
<b>Total</b>	<b>166,315</b>	<b>154,191</b>

Analysis of revenue by sales channel:	2023 £'000	2022 £'000
Supermarkets	49,116	51,523
Discount retailers	44,593	48,126
Online channels	41,449	25,321
Multiple-store retailers	22,178	17,312
Other	8,979	11,909
<b>Total</b>	<b>166,315</b>	<b>154,191</b>

## 6. Operating profit

Operating profit is stated after charging/(crediting):	2023 £'000	2022 £'000
Foreign exchange loss	929	1,472
Loss on disposal of fixed asset	20	6
Depreciation of owned property, plant and equipment	1,367	1,181
Depreciation of right of use assets	851	857
Amortisation of intangible assets	22	22
<b>Auditors' remuneration:</b>		
Fees for audit of the Company	50	40
Fees for the audit of the Company's subsidiaries	65	42
<b>Total audit Fees</b>	<b>115</b>	<b>82</b>
Other assurance services	–	18
<b>Total non-audit Fees</b>	<b>–</b>	<b>18</b>

No non-audit services were provided on a contingent fee basis. Current year audit fees relate to PKF Littlejohn LLP and to BDO LLP in FY22.

## Notes to the financial statements continued

### 7. Employee costs

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Wages and salaries	15,224	13,126	309	309
Social security costs	1,439	1,282	35	35
Other pension costs	354	294	–	–
Share-based payments	837	403	–	–
<b>Total</b>	<b>17,854</b>	<b>15,105</b>	<b>344</b>	<b>344</b>

The average monthly number of people employed (including Directors) was:

Average number of employees:	Group		Company	
	2023 Number	2022 Number	2023 Number	2026 Number
Sales staff	83	80	–	–
Distribution staff	104	77	–	–
Administrative staff	212	208	6	6
<b>Total</b>	<b>399</b>	<b>365</b>	<b>6</b>	<b>6</b>

Details of Directors' remuneration and pension entitlements are disclosed in the Remuneration Report on pages 50 to 71. Social security costs payable in respect of the Directors were £214,000 (2022: £166,000).

### 8. Finance costs

	2023 £'000	2022 £'000
Interest on bank loans and overdrafts	1,114	704
Interest on lease liabilities	134	74
Foreign exchange in respect of lease liabilities (net of hedging actions)	(81)	(11)
Other interest payable and similar charges	(35)	75
<b>Total finance cost</b>	<b>1,132</b>	<b>842</b>

### 9. Taxation

	2023 £'000	2022 £'000
Current period – UK corporation tax	3,040	2,390
Adjustments in respect of prior periods	(72)	(281)
Foreign current tax expense	431	467
<b>Total current tax</b>	<b>3,399</b>	<b>2,576</b>
Origination and reversal of temporary differences	5	351
Adjustments in respect of prior periods	(6)	81
Impact of change in tax rate	–	61
<b>Total deferred tax</b>	<b>(1)</b>	<b>493</b>
<b>Total tax charge</b>	<b>3,398</b>	<b>3,069</b>



## Notes to the financial statements continued

### 9. Taxation continued

#### Factors effecting the tax charge

The tax assessed for the current and previous period is higher than the standard rate of corporation tax in the UK. The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2023 £'000	2022 £'000
<b>Profit before tax</b>	15,984	15,439
Tax charge at 20.5% (2022: 19%)	3,277	2,933
<i>Adjustments relating to underlying items:</i>		
Adjustment to tax charge in respect of prior periods	(78)	(200)
Effects of expenses not deductible for tax purposes	119	(9)
Impact of overseas tax rates	56	231
Effect of difference in corporation tax and deferred tax rates	15	88
<i>Adjustments relating to non-underlying items:</i>		
Effects of expenses not deductible for tax purposes	171	77
Differences arising on tax treatment of shares	(162)	(178)
Effect of difference in corporation tax and deferred tax rates	–	127
<b>Total tax expense</b>	<b>3,398</b>	<b>3,069</b>

Corporation tax is calculated at 20.5% (2022: 19%) of the estimated assessable profit for the year, being the average effective tax rate in the year following from the increase in the UK tax rate to 25% from 1 April 2023. Deferred tax balances at the year-end have been measured at 25%.

### 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. 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:

	2023 £'000	2022 £'000
Profit for the year	12,586	12,370
	Number	Number
Weighted average number of shares in issue	89,312,457	89,312,457
Less shares held by the UPGS EBT	(3,002,142)	(2,958,630)
Weighted average number of shares – basic	86,310,315	86,353,827
Share options	1,576,409	2,580,825
Weighted average number of shares – diluted	87,886,723	88,934,652
	Pence	Pence
Earnings per share – basic	14.6	14.3
Earnings per share – diluted	14.3	13.9

### 11. Dividends

	2023 £'000	2022 £'000
Final dividend paid in respect of the previous year	4,157	2,844
Interim declared and paid	2,098	1,986
	6,255	4,830
	Pence	Pence
Final dividend paid in respect of the previous year	4.82	3.33
Interim declared and paid	2.43	2.30
	7.25	5.63

The Directors propose a final dividend of 4.95p per share in respect of the year ended 31 July 2023.

## Notes to the financial statements continued

### 12. Investments

Company	2023 £'000	2022 £'000
Carrying value at beginning of the year	19,974	19,706
(Adjustment)/additions	–	(135)
Non-reimbursed share-based payment charges	837	403
	20,810	19,974

The 2023 additions comprise the set up of our new European subsidiary in Ireland, Ultimate Products Europe Limited with share capital of €100. At the year end it had not begun to trade. The negative additions of £135,000 in 2022 represents the adjustment to the consideration to the acquisition of Salter Brands Limited. At 31 July 2023 the Company owned the following subsidiaries:

	Registered Office	Holding	Proportion of Voting Rights and Shares Held	Nature of Business
Ultimate Products UK Limited	Manor Mill, Victoria Street, Oldham OL9 0DD	Ordinary shares	100%	Supply of branded household products
UP Global Sourcing Hong Kong Limited	Unit B, 13th Floor, Yun Tat Commercial Building, 70–74 Wuhu Street, Hong Kong	Ordinary shares	100%	Supply of branded household products
Salter Brands Limited	Manor Mill, Victoria Street, Oldham OL9 0DD	Ordinary shares	100%	Dormant
Ultimate Products Europe Limited	19 Baggot Street Lower, Dublin 2, DO2 X658, Eire	Ordinary shares	100%	Dormant

### 13. Intangible assets

	Goodwill £'000	Trademarks £'000	Brands £'000	Total £'000
<b>Cost</b>				
At 1 August 2021	9,676	222	27,072	36,970
Adjustments	118	–	–	118
At 31 July 2022	9,794	222	27,072	37,088
Adjustments	–	–	–	–
<b>At 31 July 2023</b>	9,794	222	27,072	37,088
<b>Amortisation</b>				
At 1 August 2021	–	41	–	41
Charge for year	–	22	–	22
At 31 July 2022	–	63	–	63
Charge for year	–	22	–	22
<b>At 31 July 2023</b>	–	85	–	85
<b>Net book value</b>				
<b>At 31 July 2023</b>	9,794	137	27,072	37,003
At 31 July 2022	9,794	159	27,072	37,025
At 31 July 2021	9,676	181	27,072	36,929

## Notes to the financial statements continued

### 13. Intangible assets continued

Intangible assets primarily relate to goodwill and the Salter brand. No amortisation is charged on the Salter brand as it is considered to have an indefinite useful life due to its proven longevity and anticipated future profitability. The amortisation charge reflects the spreading of the cost of the Kleeneze and Petra trademarks over these assets' remaining expected useful lives. Goodwill and brands acquired through business combinations have been incorporated into the existing single segment of the Group as the acquired business from which they arise is the same as the Group's existing operating segment. The recoverable amount of the Group's goodwill and brands has been determined by a value-in-use calculation using a discounted cash flow model, based on a five-year projection period approved by management, together with a terminal value. Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive. The following key assumptions were used in the base case discounted cash flow model:

- 11.6% pre-tax discount rate (FY22: 10.6%);
- 10% per annum projected revenue growth rate; and
- 5% per annum increase in operating costs and overheads.

The discount rate of 11.6% pre-tax reflects management's estimate of the time value of money and the Group's weighted average cost of capital, the risk-free rate and the volatility of the share price relative to market movements. It has increased since the previous year based on increases in interest rates. Management believes the projected 10% revenue growth rate is appropriate and justified based on market conditions and knowledge of the previous long-term trading history of the business, with the 5-year CAGR for revenue in the current year being 9% (FY22: 16%). The results of the impairment testing indicate there is no impairment required. The key assumptions were subjected to sensitivity analysis to understand how sensitive the headroom on the recoverable amounts is to changes in the key assumptions. Based on the results of the base case and of the sensitivity analysis performed, the Directors do not believe that any reasonably possible changes in the value of the key assumptions noted above would cause the cash-generating unit carrying amount to exceed its recoverable amount.

### 14. Property, plant and equipment

Cost	Fixtures, Fittings and Equipment £'000	Motor Vehicles £'000	Right of use assets £'000	Total £'000
As at 1 August 2021	6,659	56	4,763	11,478
Additions	1,843	–	176	2,019
Disposals	(894)	–	(164)	(1,058)
Lease modifications	–	–	198	198
<b>As at 31 July 2022</b>	<b>7,608</b>	<b>56</b>	<b>4,973</b>	<b>12,637</b>
Additions	999	–	597	1,596
Disposals	(606)	–	(740)	(1,346)
Lease modifications	–	–	3,238	3,238
<b>As at 31 July 2023</b>	<b>8,001</b>	<b>56</b>	<b>8,068</b>	<b>16,125</b>
<b>Accumulated Depreciation and Impairment Losses</b>				
As at 1 August 2021	3,433	40	2,286	5,759
Charge for the year	1,168	13	857	2,038
Disposals	(894)	–	(158)	(1,052)
Lease modifications	–	–	(477)	(477)
As at 31 July 2022	3,707	53	2,508	6,268
Charge for the year	1,364	3	851	2,218
Disposals	(592)	–	(212)	(804)
Lease modifications	–	–	–	–
<b>As at 31 July 2023</b>	<b>4,479</b>	<b>56</b>	<b>3,147</b>	<b>7,682</b>
<b>Carrying Amount:</b>				
<b>As at 31 July 2023</b>	<b>3,522</b>	<b>–</b>	<b>4,921</b>	<b>8,443</b>
As at 31 July 2022	3,901	3	2,465	6,369
As at 31 July 2021	3,226	16	2,477	5,719

The Company held no property, plant and equipment. Included in property, plant and equipment are assets held outside of the UK with a carrying amount at 31 July 2023 of £1.8m (2022: £1.0m). Lease modifications relate to the extension of the leases in respect of the Group's distribution centre at Heron Mill and the Guangzhou sourcing office.

## Notes to the financial statements continued

### 14. Property, plant and equipment continued

#### Right of Use assets

Cost	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Property £'000	Total £'000
As at 1 August 2022	183	40	4,750	4,973
Additions	56	–	541	597
Disposals	(47)	(20)	(673)	(740)
Modifications	–	–	3,238	3,238
<b>As at 31 July 2023</b>	<b>192</b>	<b>20</b>	<b>7,856</b>	<b>8,068</b>
<b>Accumulated Depreciation</b>				
As at 1 August 2022	55	13	2,440	2,508
Charge	38	13	800	851
Disposals	(47)	(13)	(152)	(212)
Modifications	–	–	–	–
<b>As at 31 July 2023</b>	<b>46</b>	<b>13</b>	<b>3,088</b>	<b>3,147</b>
<b>Carrying Amount</b>				
<b>As at 31 July 2023</b>	<b>146</b>	<b>7</b>	<b>4,768</b>	<b>4,921</b>
As at 31 July 2022	128	27	2,310	2,465

### 15. Deferred tax

Group	Intangibles £'000	Accelerated allowances £'000	Hedging £'000	Share-based payment £'000	Provisions £'000	Total £'000
As at 1 August 2021	6,633	146	–	(510)	(122)	6,147
Recognised through the statement of changes in equity	–	–	655	290	–	945
Credit/(charge) in the year	135	399	–	(27)	(14)	493
As at 31 July 2022	6,768	545	655	(247)	(136)	7,585
Recognised through the statement of changes in equity	–	–	(875)	88	–	(787)
Credit/(charge) in the year	–	18	–	(68)	49	(1)
<b>As at 31 July 2023</b>	<b>6,768</b>	<b>563</b>	<b>(220)</b>	<b>(227)</b>	<b>(87)</b>	<b>6,797</b>

The Directors consider that the deferred tax assets in respect of timing differences are recoverable based upon the forecast future taxable profits of the Group. The Group has also unrecognised deferred tax attributable of £577,000 (2022: £740,000) in respect of losses carried forward that are not anticipated to be utilised under current conditions.

### 16. Inventories

Group	2023 £'000	2022 £'000
Goods for resale	28,071	29,162
	28,071	29,162

Inventories at 31 July 2023 are stated after provisions for impairment of £518,000 (2022: £358,000). Inventories are pledged as security for liabilities, as referred to in note 19. Within the income statement of the Group £101.5m of inventories were recognised as an expense within the year (2022: £100.7m).

## Notes to the financial statements continued

### 17. Trade and other receivables

Group	2023 £'000	2022 £'000
Trade receivables	28,175	30,643
Other receivables and prepayments	1,328	1,551
Current tax asset	387	–
	29,890	32,194

Trade and other receivables are denominated in Sterling, US Dollars, Euros, Canadian Dollars and Polish Zloty. 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 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. 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. The average age of these receivables at 31 July 2023 is 59 days (2022: 59 days).

Group	2023			2022		
	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 trade receivables (insured)	26,521	1,600	28,121	28,747	2,042	30,789
Expected credit loss	–	(99)	(99)	–	(381)	(381)
Net carrying amount	26,521	1,501	28,022	28,747	1,661	30,408
Gross trade receivables (uninsured)	150	3	153	231	11	242
Expected credit loss	–	–	–	–	(7)	(7)
Net carrying amount	150	3	153	231	4	235
Gross Trade receivables (total)	26,671	1,603	28,274	28,978	2,053	31,031
Expected credit loss	–	(99)	(99)	–	(388)	(388)
Net carrying amount	26,671	1,504	28,175	28,978	1,665	30,643

Ageing of past due but not impaired receivables	2023 £'000	2022 £'000
Less than 1 month	2,460	3,242
1–2 months	722	583
2–3 months	189	413
Over 3 months	592	669
<b>Total</b>	<b>3,963</b>	<b>4,907</b>

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 19% of the total at 31 July 2023. 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 22. 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 20.



## Notes to the financial statements continued

### 17. Trade and other receivables continued

Company	2023 £'000	2022 £'000
Amounts owed by Group undertakings	8,991	–
Other receivables and prepayments	49	431
<b>Current</b>	<b>9,040</b>	<b>431</b>
Amounts owed by Group undertakings	–	33,151
<b>Non-current</b>	<b>–</b>	<b>33,151</b>

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, following the decision to use the Employee Benefit Trust for the satisfaction of PSP awards (see note 23), the loan from the Trust to the Company will not be repaid resulting in an impairment charge of £2.4m (FY22: £nil).

### 18. Trade and other payables

Group	2023 £'000	2022 £'000
Trade payables	19,024	20,662
Accruals	8,971	7,433
Other taxes and social security	2,010	1,549
	<b>30,005</b>	<b>29,644</b>

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. Ultimate Products 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.

Company	2023 £'000	2022 £'000
Amounts owed to Group undertakings	–	10,971
Other payables	182	161
Accruals	82	72
	<b>264</b>	<b>11,204</b>

### 19. Bank borrowings

Group	2023 £'000	2022 £'000
Overdrafts	5,004	6,020
Invoice discounting	8,950	6,197
Import loans	–	8,179
Term loan	2,000	2,000
Unamortised debt issue costs	(63)	(82)
<b>Current</b>	<b>15,891</b>	<b>22,314</b>
Revolving credit facility	–	2,217
Term loan	4,000	6,000
Unamortised debt issue costs	(10)	(73)
<b>Non-current</b>	<b>3,990</b>	<b>8,144</b>
<b>Total borrowings</b>	<b>19,881</b>	<b>30,458</b>
Cash	(5,086)	(6,202)
<b>Net bank borrowings</b>	<b>14,795</b>	<b>24,256</b>

	2023 £'000	2022 £'000
<b>Contractual undiscounted maturities:</b>		
In less than one year	15,954	22,396
Between one and two years	2,000	2,000
Between three and four years	2,000	6,217
Less: Unamortised debt issue costs	(73)	(155)
<b>Total borrowings</b>	<b>19,881</b>	<b>30,458</b>

## Notes to the financial statements continued

### 19. Bank borrowings continued

At the year end the Group had a net bank debt/adjusted EBITDA ratio of 0.7x (FY22: 1.3x), which represents net bank debt of £14.8m (FY21: £24.3m). The Group maintains comfortable levels of headroom within its bank facilities, with headroom at 31 July 2023 of £16.6m (FY22: £17.8m). The Group's banking facilities comprise a term loan of £6.0m (FY22: £8.0m), a revolving credit facility of £8.2m (FY22: £8.2m), an import loan facility of £9.0m (FY22: £9.0m), and an invoice discounting facility with a total limit of £23.5m (FY22: £23.5m).

Company	2023 £'000	2022 £'000
Term loan	2,000	2,000
Unamortised debt issue costs	(63)	(63)
<b>Current</b>	<b>1,937</b>	<b>1,937</b>
Revolving credit facility	–	2,507
Term loan	4,000	6,000
Unamortised debt issue costs	(10)	(73)
<b>Non-current</b>	<b>3,990</b>	<b>8,434</b>
<b>Total borrowings</b>	<b>5,927</b>	<b>10,371</b>
<b>Contractual undiscounted maturities:</b>	<b>2023 £'000</b>	<b>2022 £'000</b>
In less than one year	2,000	2,000
Between one and two years	2,000	2,000
Between three and four years	2,000	6,507
Less: Unamortised debt issue costs	(73)	(136)
<b>Total borrowings</b>	<b>5,927</b>	<b>10,371</b>

Current bank borrowings include a gross amount of £9.0m (2022: £6.2m) due under invoice discounting facilities, which are secured by an assignment of and fixed charge over the trade debtors of Ultimate Products UK Limited. Furthermore, current bank borrowings include an amount of £nil (2022: £2.8m) 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. Total bank borrowings are net of £73,000 (2022: £155,000) of fees which are being amortised over the length of the relevant facilities. Interest on bank borrowings is payable at a margin ranging between 1.65% and 2.25% above the relevant bank reference rates. As the liabilities are at a floating rate and there has been no change in the creditworthiness of either of the counterparties, the Directors are of the view that the carrying amount approximates to the fair value.

### 20. Lease liabilities

The Group's lease portfolio comprises its principal properties along with certain other fixtures, fittings and equipment. All leases consist of fixed future payment amounts. The Manor Mill and Heron Mill leases incorporate a break option to provide operational flexibility; all other leases have fixed terms. Management consider the likelihood of exercising such break options when determining the lease term. Accordingly, the lease term for Manor Mill and Heron Mill were determined to be the full length of the lease, excluding the break option. The Paris 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.

Group	2023 £'000	2022 £'000
Lease liabilities less than one year	836	817
Lease liabilities greater than one year	4,262	1,940
<b>Total discounted lease liabilities</b>	<b>5,098</b>	<b>2,757</b>

## Notes to the financial statements continued

### 20. Lease liabilities continued

	2023 £'000	2022 £'000
<b>Contractual undiscounted maturities:</b>		
Within one year	1,084	882
Greater than one year but less than two years	1,028	441
Greater than two years but less than five years	2,646	966
Greater than five years but less than ten years	1,204	668
	5,962	2,957
<b>Movement in leases in the year</b>	<b>2023 £'000</b>	<b>2022 £'000</b>
Balance brought forward	2,757	2,801
New leases and lease modifications (note 14)	3,835	851
Repayments	(974)	(1,010)
Disposals	(522)	–
Interest on lease liabilities	134	74
Foreign exchange revaluation	(132)	41
Balance carried forward	5,098	2,757
<b>Amounts recognised in profit and loss</b>	<b>2023 £'000</b>	<b>2022 £'000</b>
Depreciation expense on right-of-use assets	851	857
Interest expense on lease liabilities	134	74
Expense relating to leases of low value assets & short-term leases	160	161
Income from sub-leasing right of use assets	(8)	(6)

### 21. Financial instruments

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

Group	2023 £'000	2022 £'000
Trade receivables – held at amortised cost	28,175	30,643
Derivative financial instruments – carried at FVTOCI	900	3,899
Derivative financial instruments – carried at FVTPL	333	243
Trade and other payables	(27,995)	(28,095)
Derivative financial instruments – carried at FVTOCI	(1,783)	–
Derivative financial instruments – carried at FVTPL	(23)	–
Borrowings – held at amortised cost	(19,881)	(30,458)
Lease liabilities – held at amortised cost	(5,098)	(2,757)
Deferred consideration – held at amortised cost	–	(987)
Cash and cash equivalents – held at amortised cost	5,086	6,202

### Financial Liabilities

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

Group	2023 £'000	2022 £'000
Trade payables	19,024	20,662
Borrowings	19,881	30,458
Other payables	8,971	7,433
Lease liabilities	5,098	2,757
Deferred consideration	–	987
	52,974	62,297

## Notes to the financial statements continued

### 21. Financial instruments continued

#### 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	2023 £'000	2022 £'000
Derivative financial instruments – assets	1,233	4,142
Derivative financial instruments – liabilities	(1,806)	–
	(573)	4,142

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

Group	2023 £'000	2022 £'000
Foreign currency contracts	(1,372)	3,524
Interest rate swaps	315	261
Interest rate caps	484	357
	(573)	4,142

#### 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 2023, the Group was committed to:

	2023		2022	
	Buy	Sell	Buy	Sell
USD\$'000	54,300	–	57,050	–
€'000	–	24,700	–	23,200
CAD\$'000	–	–	–	60
PLN'000	–	4,600	–	5,500
CNY'000	6,340	–	2,459	–

At 31 July 2023 & 2022, all the outstanding USD, EUR, PLN and CAD contracts mature within 12 months of the period end. The CNY contracts, which are held as a partial hedge on a lease commitment, mature until August 2026. The forward currency contracts are measured at fair value using the relevant exchange rates for GBP:USD, GBP:EUR, GBP:CAD, GBP:PLN and GBP:CNY.

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 £1.6m (2022: asset of £3.4m), which has been recognised in other comprehensive income. This will be released to profit or loss at the end of the term of the forward contracts as they expire, being £1.6m within 12 months (2022: £3.4m within 12 months). The cash flows in respect of the forward contracts will occur over the course of the next 12 months.

#### 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 2023, protection was in place over an aggregate principal of £18.3m (2022: £18.3m). At 31 July 2023, the Group had borrowings of £nil (2022: £6.3m) not subject to interest rate protection. All interest rate swaps meet the conditions for hedge accounting, as set out in the accounting policies in note 3.

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

The fair value of variable to fixed interest rate swaps that are effective in offsetting the variable interest rate risk on variable rate debt is an asset of £315,000 (2022: £261,000), which has been recognised in other comprehensive income and will be released to profit or loss over the term of the swap agreements. The agreements expire between 2 January 2024 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 £484,000 (2022: £357,000).

# Notes to the financial statements continued

## 21. Financial instruments continued

### Reconciliation of the financial instruments to the Statement of Financial Position

Group	2023 £'000	2022 £'000
Trade receivables	28,175	30,643
Prepayments and other receivables not classified as financial instruments	1,328	1,551
Current tax asset not classified as a financial instrument	387	–
<b>Trade and other receivables (note 17)</b>	<b>29,890</b>	<b>32,194</b>

Group	2023 £'000	2022 £'000
Trade and other payables	27,995	28,095
Other taxes and social security not classified as financial instruments	2,010	1,549
<b>Trade and other payables (note 18)</b>	<b>30,005</b>	<b>29,644</b>

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.

- 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.
- 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.
- 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 FY23, on average, over 98% of its trade receivables were insured. 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. Cash flow requirements are monitored by short and long-term forecasts, with headroom against facility limits and banking covenants assessed regularly.

### 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 financial instruments denominated at each period end in US Dollars:

Group	2023 \$'000	2022 \$'000
Trade receivables	11,342	11,276
Other receivables	369	990
Net cash, overdrafts and revolving facilities	2,640	7,364
Import loans	–	(9,965)
Invoice discounting	1	75
Trade payables	(17,324)	(21,310)
	(2,972)	(11,570)

The effect of a 20% strengthening of Sterling at 31 July 2023 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 £0.3m (2022: £1.3m). 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 £0.5m (2022: £1.9m).



## Notes to the financial statements continued

### 21. Financial instruments continued

#### Foreign currency risk management continued

The following is a note of the financial instruments denominated at each period end in Euros:

Group	2023 €'000	2022 €'000
Trade receivables	11,369	9,345
Net cash, overdrafts and revolving facilities	3,266	(125)
Invoice discounting	(6,573)	(5,617)
Trade payables	(1,217)	(612)
Lease liabilities	(638)	(810)
	6,207	2,181

The effect of a 20% strengthening of Sterling at 31 July 2023 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 £0.7m (2022: £0.3m). 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 £1.1 (2022: £0.4m).

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. Financial instruments denominated in Canadian Dollars and Polish Zloty are not significant and therefore do not pose a significant foreign exchange exposure.

#### Capital risk management

The Group is funded by equity and loans. 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 expenditure 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 19 and lease liabilities as disclosed in note 20.

### 22. Share capital & reserves

Allotted, called up and fully paid	2023 £'000	2022 £'000	2023 No. of shares	2022 No. of shares
At 1 August	223	223	89,312,457	89,312,457
Placing	–	–	–	–
<b>At 31 July</b>	<b>223</b>	<b>223</b>	<b>89,312,457</b>	<b>89,312,457</b>

0.25p Ordinary shares carry rights to dividends and other distributions from the Company, as well as carrying voting rights.

**Share Premium:** Consideration received for shares issued above their nominal value net of transaction costs.

**EBT 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.

## Notes to the financial statements continued

### 23. Share-based payments

The Company has established a number of different long-term incentive plans in the form of an equity settled share option schemes. Awards are granted and approved at the discretion of the Remuneration Committee. Further details of these schemes are set out in the Directors' Remuneration Report. Currently 137 (2022: 157) members of staff hold options for shares in the Company under the scheme. The share-based payments expense recognised in respect of employee services received during the year was £837,000 (2022: £403,000) including a one-off charge of £0.5m relating to the modification of the MIP scheme. This all arises on equity-settled share-based payment transactions.

Sharesave scheme (SAYE)	2023	Weighted average exercise price	2022	Weighted average exercise price
Outstanding at the beginning of the period	1,033,731	£0.89	1,576,012	£0.51
Granted during the period	–	–	443,410	£1.20
Lapsed during the period	(91,561)	£0.99	(46,874)	£0.90
Exercised during the period	(59,955)	£0.48	(938,817)	£0.40
Outstanding at the end of the period	882,215	£0.91	1,033,731	£0.89
Exercisable at the end of the period	–	£0.00	–	£0.00

Performance share plan (PSP)	2023	Weighted average exercise price	2022	Weighted average exercise price
Outstanding at the beginning of the period	2,104,000	£0.00	1,740,000	£0.00
Granted during the period	–	£0.00	364,000	£0.00
Lapsed during the period	(451,513)	£0.00	–	£0.00
Exercised during the period	(312,800)	£0.00	–	£0.00
Outstanding at the end of the period	1,339,687	£0.00	2,104,000	£0.00
Exercisable at the end of the period	415,687	£0.00	–	£0.00

The fair value of the SAYE and PSP options granted is estimated at the date of grant using a Black-Scholes model, after taking into account the terms and conditions upon which they were granted. For options outstanding at the end of the period the range of exercise prices was 0.25p–120p (2022: 0.25p–120p), and the weighted average remaining contractual life was 8.7 years (2022: 6.0 years).

The Black-Scholes pricing model is applied on the granting dates of options.

### Black-Scholes option pricing model

	PSP 2022 6 June 2022	SAYE 2022 6 June 2022	PSP 2021 14 Dec 2021
Closing share price, £	1.34	1.34	1.14
Exercise price, £	0.0025	1.20	0.0025
Risk-free interest rate	2.07%	2.07%	0.96%
Expected life of option (years)	3–6	3	3–6
Volatility	49.6%	49.6%	76.6%
Dividend yield	3%	3%	4%

The 2017 MIP is structured as an award of A ordinary shares in UP Global Sourcing UK Limited ('Subsidiary Shares'). The right attaching to the Subsidiary Shares originally included a put option with a three-year vesting period that could be exercised up to seven years following the vesting date. Exercise of the put option was subject to the share price of Ultimate Products plc exceeding a hurdle set at a premium to the IPO price. Following a shareholder vote at the FY22 AGM the time horizon of the MIP was extended by two years subject to an uplift in the hurdle from 166.4p to 193.02p (equating to an 8% increase to the hurdle for each of the two year extension). This amendment was accounted for as a modification and resulted in a one-off charge of £0.5m being taken during the year.

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

	MIP Modification 2022 16 December 2022
Closing share price, £	1.415
Exercise price, £	n/a
Risk-free interest rate	3.4%
Expected life of option (years)	3.21 years
Volatility	54%
Dividend yield	5%

## Notes to the financial statements continued

### 23. Share-based payments continued

At the point of exercise, the recipient will receive the value of the Subsidiary Shares in either cash or shares in Ultimate Products plc ('Plc Shares'), at the discretion of Ultimate Products plc, subject to a cap of 6.25% of the issued share capital of Ultimate Products plc as at the date of the IPO. The shares therefore have an exercise price of £Nil for the recipient.

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

Management incentive plan (MIP)	2023	Weighted average exercise price	2022	Weighted average exercise price
Outstanding & exercisable at the beginning of the period	–	–	2,543,773	–
Exercised during the period	–	–	(149,722)	–
Unvested during the period	–	–	(2,394,051)	–
Outstanding & exercisable at the end of the period	–	–	–	–

At both 31 July 2023 and 31 July 2022 the share price had not met the hurdle price referred to above and, as a result, no shares were under option.

### 24. Related party transactions

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

	2023 £'000	2022 £'000
Short-term remuneration	2,792	2,170
Other pension costs	92	60
Share-based payments	155	195
	3,039	2,425

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 2023 and the total for all Directors amounted to £687 (2022: £3,105). Consultancy fees paid to Directors were £3,000 (2022: £3,750). During the year a family member of a Director was employed on a short-term basis and was paid £nil (2022: £3,533).

	2023 £'000	2022 £'000
Transactions with related companies:		
Lease payments to Heron Mill Limited	358	407
Lease payments to Berbar Properties Limited	180	180

The above companies are related due to common control and Directors. Barry Franks, Andrew Gossage and Simon Showman are Directors of Heron Mill Limited. Barry Franks (15 ordinary shares of £1.00 each), Simon Showman (50 ordinary shares of £1.00 each) and A&T Property Investments Limited (20 ordinary shares of £1.00 each) are also shareholders of Heron Mill Limited. Andrew Gossage is a Director of A&T Property Investments Limited. Barry Franks is a Director and the sole shareholder of Berbar Properties Limited. There were no outstanding balances with related companies or businesses at 31 July 2023 or 31 July 2022.

### 25. Post balance sheet events

On 30 October 2023, the Company changed its name from UP Global Sourcing Holdings plc to Ultimate Products plc.

## Shareholder information

### Five-year summary (unaudited)

The result for the year ended 31 July 2019 has been previously restated to reflect the impact of IFRS 16.

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
<b>Revenue</b>	166,315	154,191	136,367	115,684	123,257
Cost of sales	(123,568)	(115,836)	(106,136)	(89,084)	(96,013)
<b>Gross profit</b>	42,747	38,355	30,231	26,600	27,244
Administrative expenses	(25,631)	(22,073)	(20,205)	(17,485)	(18,304)
<b>Profit from operations</b>	17,116	16,281	10,026	9,115	8,940
Finance income	–	–	–	–	6
Finance costs	(1,132)	(842)	(518)	(753)	(816)
<b>Profit before taxation</b>	15,984	15,439	9,508	8,362	8,130
Income tax	(3,398)	(3,069)	(2,195)	(1,747)	(1,720)
<b>Profit for the period</b>	12,586	12,370	7,313	6,615	6,410

### Non-GAAP performance measures

	2023	2022	2021	2020	2019
Adjusted EBITDA (£'000)	20,214	18,750	13,291	10,363	10,720
Adjusted EBITDA margin (%)	12.2%	12.2%	9.7%	9.0%	8.7%
Adjusted profit before taxation (£'000)	16,821	15,842	11,150	8,163	8,387
Adjusted profit after taxation (£'000)	13,261	12,722	8,727	6,504	6,667
Adjusted earnings per share (p)	15.4p	14.7p	11.1p	8.3p	8.4p



## Company information

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