



UP GLOBAL SOURCING HOLDINGS PLC

INTERIM RESULTS 2018

UP[®]

ULTIMATE PRODUCTS
HOME OF BRANDS

2018

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STRATEGY

The strategy of UP Global Sourcing Holdings plc ("Ultimate Products" or the "Group") is to develop its portfolio of brands focused on mass-market, value-led, consumer goods for the home focused on selling to:

- (1) UK and European discounters;
- (2) UK supermarkets;
- (3) online platforms; and
- (4) international retailers.

While the market for general merchandise in the UK is currently challenging, the Board is confident that remaining focused on the above strategy will deliver growth in the longer term.

TRADING

Revenue for the six months ended 31 January 2018 ("H1") was £48.4 million, a decrease of £19.7 million or 28.9 % on the same period last year ("H1 2017": £68.1 million). As noted previously, H1 2017 was an exceptionally strong period for the Group due to highly positive retailer sentiment (62 % of FY 2017 revenue was delivered in H1 2017 as opposed to 53 % and 54 % in FY 2016 and FY 2015, respectively).

The decline reflects the much tougher trading environment for general merchandise in the UK, with wage inflation running behind general inflation. Discretionary spend has been under pressure and consumer confidence has therefore been lower than it has been for some time. As a consequence non-food sales have declined as consumers have prioritised food purchases. This decline in non-food has been particularly apparent in physical stores, which is our main market, as a result of the growing competition from online.

For retailers, this has also coincided with imported cost price inflation caused by Sterling's weakness since the Brexit referendum, in turn leading to retail price inflation which has also dampened volumes.

The lower volumes available to non-food suppliers, along with retailers' desire to minimise increases in retail prices, has created an even more competitive trading environment than normal.

In addition to the challenging UK conditions, as previously noted, the period also saw a shift in supply arrangements for a major European customer from Free on Board ("FOB") to landed. As landed revenues are recorded as sales later than for FOB, this has led to revenue being deferred which has directly impacted H1 2018.

Despite the challenges set out above, gross margin has remained stable at 22.4 % (H1 2017: 22.3 %) which is mainly due to changes in customer mix and as the business continues to adapt to weaker exchange rates.

As a result of lower revenues, Underlying EBITDA¹ was £4.5 million, a fall of £4.3 million or 49.5 % on last year (H1 2017: £8.8 million).

BALANCE SHEET

Shareholders' equity was £6.8 million at 31 January 2018, up from £6.2 million at 31 January 2017. This movement was the net result of an increase in retained earnings of £1.4 million net of a movement in the hedging reserve of £0.9 million as Sterling strengthened during H1 2018. The main movements in retained earnings from 31 January 2017 to 31 January 2018 were:

- (1) total Profit After Tax from 1 February 2017 to 31 January 2018 of £3.4 million;
- (2) a one-off corporation tax credit of £2.1 million received in FY 2017 relating to the Initial Public Offering in March 2017; net of
- (3) dividends paid from 1 February 2017 to 31 January 2018 of £4.2 million.

Net working capital at 31 January 2018 was £12.3 million, down from £15.9 million at 31 January 2017 – a reduction of £3.6 million or 22.5 %. This was entirely driven by the fall in revenue in the period.

Net cash from operations for the period was £2.6 million, a reduction of £0.4 million or 11.0 % (H1 2017: £3.0 million) as a result of lower EBITDA, partially offset by lower working capital.

Note:

1. Calculated after adding back exceptional items and share based payment charges as referred to in Note 10.

Net debt at 31 January 2018 was £6.7 million, down from £10.2 million at 31 January 2017, a reduction of £3.5 million or 34.9 %. The main drivers of this movement were:

- (1) net working capital reduction (see above) of £3.6 million;
- (2) a one-off corporation tax credit (see above) of which £1.6 million had benefited cash at 31 January 2018;
- (3) total Profit After Tax from 1 February 2017 to 31 January 2018 of £3.4 million; net of
- (4) dividends paid from 1 February 2017 to 31 January 2018 of £4.2 million; and
- (5) investment in the new distribution centre at Heron Mill (see below) of £0.5 million.

The net debt/underlying EBITDA ratio at 31 January 2018 was 0.9x (31 January 2017: 0.9x) based on underlying EBITDA for the 12 months to 31 January 2018. The Group had headroom within its bank facilities of £8.0 million as at 31 January 2018 (31 January 2017: £9.7 million).

DISTRIBUTION CENTRE

The move to the Group's new 240,000 sq ft distribution centre at Heron Mill in Oldham was successfully completed in the period. The new facility is more efficient than previous arrangements, and the move has already enabled the Group to keep overall payroll costs in H1 2018 below the prior year despite the effects of the National Living Wage and general wage inflation.

Heron Mill includes a purpose-built, single pick area to support Ultimate Products' growing online business, which continues to perform well.

GERMANY

In line with the international focus of its strategy, Ultimate Products opened its new 10,000 sq ft German showroom this month, showcasing our branded product ranges to Europe's largest retail market. The Group has already opened a number of major retail accounts there and orders taken to date are ahead of management's expectations. Given the promising early progress in Germany and the positive consumer data that is emerging from the region, the Board sees significant potential for long-term growth in this market.

DIVIDEND

The Board has declared an interim dividend of 0.83 p per share, payable on 27 July 2018 to shareholders on the register on 6 July 2018.

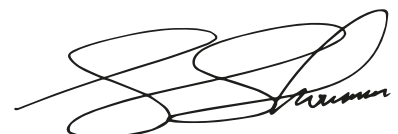
CURRENT TRADING AND OUTLOOK

Current trading for FY 2018 is in line with management expectations.

The market conditions for general merchandise remain challenging and Ultimate Products, like many others, is faced with a more uncertain environment for consumers, retailers and suppliers. Despite these challenges, the Group is well invested, retains a strong balance sheet and maintains comfortable levels of funding headroom within its bank facilities. We remain more focused than ever on our strategy which the Board continues to believe will deliver growth in the longer term.



JIM MCCARTHY
CHAIRMAN



SIMON SHOWMAN
CHIEF EXECUTIVE

		Unaudited 6 months ended 31 Jan 2018	Unaudited 6 months ended 31 Jan 2017 (Restated)	Audited Year ended 31 July 2017
	Note	£'000	£'000	£'000
Revenue	7	48,408	68,086	109,953
Cost of sales		(37,543)	(52,881)	(85,386)
Gross profit		10,865	15,205	24,567
Administration expenses before exceptional items and share based payment charges		(6,647)	(6,536)	(13,444)
Profit from operations before exceptional items and share based payment charges		4,218	8,669	11,123
Exceptional administration expenses	9	-	(1,693)	(3,152)
Share based payment charges	9	(96)	-	(80)
Administration expenses		(6,743)	(8,229)	(16,676)
Profit from operations	10	4,122	6,976	7,891
Finance income		-	21	-
Finance costs		(180)	(293)	(464)
Profit before taxation	11	3,942	6,704	7,427
Income tax	12	(818)	(1,398)	(1,852)
Profit for the period		3,124	5,306	5,575
		Pence	Pence	Pence
Earnings per share - basic	13	3.80	7.00	7.20
Earnings per share - diluted	13	3.80	7.00	7.10

Ex-div date: 5 July 2018

Record date: 6 July 2018

	Unaudited 6 months ended 31 Jan 2018	Unaudited 6 months ended 31 Jan 2017	Audited Year ended 31 July 2017
	£'000	£'000	£'000
Profit for the period	3,124	5,306	5,575
Other comprehensive (expense)/income			
<i>Items that may be subsequently reclassified to income statement:</i>			
Fair value movements on cash flow hedging instruments	(505)	(133)	(193)
Hedging instruments recycled through the income statement at the end of hedging relationships	121	-	(441)
Foreign currency retranslation	(7)	8	1
Other comprehensive (expense) for the period	(391)	(125)	(633)
Total comprehensive income for period attributable to the equity holders of the company	2,733	5,181	4,942

		Unaudited as at 31 Jan 2018	Unaudited as at 31 Jan 2017	Audited as at 31 July 2017
	Note	£'000	£'000	£'000
Assets				
Property, plant and equipment	15	1,890	1,382	1,715
Deferred tax		144	164	162
Total non-current assets		2,034	1,546	1,877
Inventories		11,796	11,835	11,064
Trade and other receivables	16	11,557	20,576	11,745
Current tax		17	-	481
Cash and cash equivalents		122	119	91
Total current assets		23,492	32,530	23,381
Total assets		25,526	34,076	25,258
Liabilities				
Trade and other payables	17	(11,745)	(16,295)	(12,516)
Current tax		(242)	(1,248)	-
Borrowings	18	(4,132)	(6,194)	(1,518)
Total current liabilities		(16,119)	(23,737)	(14,034)
Net current assets		7,373	8,793	9,347
Borrowings	18	(2,657)	(4,163)	(4,431)
Total non-current liabilities		(2,657)	(4,163)	(4,431)
Total liabilities		(18,776)	(27,900)	(18,465)
Net assets		6,750	6,176	6,793
Equity				
Share capital		205	184	205
Share premium		2	2	2
Hedging reserve		(577)	308	(193)
Retained earnings		7,120	5,682	6,779
Equity attributable to owners of the company		6,750	6,176	6,793

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
As at 1 August 2017	205	2	(193)	6,779	6,793
Profit for the period	-	-	-	3,124	3,124
Foreign currency translation	-	-	-	(7)	(7)
Cash flow hedging movement	-	-	(384)	-	(384)
Total comprehensive income for the period	-	-	(384)	3,117	2,733
<i>Transactions with shareholders:</i>					
Dividends payable	-	-	-	(2,872)	(2,872)
Share based payments	-	-	-	96	96
As at 31 January 2018	205	2	(577)	7,120	6,750

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
As at 1 August 2016	184	2	441	567	1,194
Profit for the period	-	-	-	5,306	5,306
Foreign currency translation	-	-	-	8	8
Cash flow hedging movement	-	-	(133)	-	(133)
Total comprehensive income for the period	-	-	(133)	5,314	5,181
<i>Transactions with shareholders:</i>					
Dividends payable	-	-	-	(199)	(199)
As at 31 January 2017	184	2	308	5,682	6,176

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

	Unaudited 6 months ended 31 Jan 2018	Unaudited 6 months ended 31 Jan 2017	Audited Year ended 31 July 2017
	£'000	£'000	£'000
Net cash flow from operating activities			
Profit for the period	3,124	5,306	5,575
Adjustments for:			
Finance income	-	(21)	-
Finance costs	180	293	464
Loss on disposal of non-current assets	-	2	(5)
Income tax expense	818	1,398	1,852
Depreciation and impairment	237	143	394
Share based payments	96	-	80
Income taxes paid	(95)	(582)	(678)
Working capital adjustments			
(Increase) in inventories	(732)	(1,290)	(519)
Decrease/ (increase) in trade and other receivables	200	(4,497)	4,049
(Decrease)/ increase in trade and other payables	(1,179)	2,224	(1,790)
Net cash from operations	2,649	2,976	9,422
Cash flows used in investing activities			
Purchase of property, plant and equipment	(412)	(557)	(1,162)
Proceeds of disposal of property, plant and equipment	-	-	28
Net cash used in investing activities	(412)	(557)	(1,134)
Cash flows (used in)/from financing activities			
Issue of share capital	-	-	21
Proceeds from borrowings	811	2,137	-
Repayment of borrowings	-	(1,821)	(4,085)
Debt issue costs paid	-	-	(38)
Dividends paid	(2,872)	(2,449)	(3,780)
Interest paid	(139)	(309)	(451)
Net cash used in finance activities	(2,200)	(2,442)	(8,333)
Net increase/ (decrease) in cash and cash equivalents	37	(23)	(45)
Cash and cash equivalents brought forward	91	136	136
Exchange (losses)/ gains on cash and cash equivalents	(6)	6	-
Cash and cash equivalents carried forward	122	119	91

1. GENERAL INFORMATION

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

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

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

This consolidated condensed interim financial information is unaudited but has been reviewed by the Company's Auditor.

2. BASIS OF PREPARATION

This consolidated condensed interim financial information for the six months ended 31 January 2018 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (previously the Financial Services Authority) and with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. The consolidated condensed interim financial information should be read in conjunction with the audited financial statements for the year ended 31 July 2017, which have been prepared in accordance with IFRSs as adopted by the European Union.

As referred to in note 8 of the financial statements for the year ended 31 July 2017, the Directors have taken the decision to reclassify to cost of sales, certain costs that had previously been reported as part of both distribution costs and administrative expenses. The impact on the six months ended 31 January 2017 is the reclassification of £1,038,000 from distribution costs and the reclassification of £500,000 from administrative expenses. The result has been an increase in cost of sales of £1,538,000, with no impact upon previously reported equity.

GOING CONCERN BASIS

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

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 July 2017.

4. OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker 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 different to the core business. The information reported to the Directors, for the purposes of resource allocation and assessment of performance, is based wholly on 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 statement of comprehensive income and statement of financial position.

5. PRINCIPAL RISKS AND UNCERTAINTIES

The Directors consider that the principal risks and uncertainties, which could have a material impact on the Group's performance in the remaining 6 months of the financial year, remain substantially the same as those stated on pages 19–23 of the Group's Annual Report for the year ended 31 July 2017, which is available on the Group's website, www.upgs.com.

The result of the referendum in favour of the UK leaving the European Union resulted in a weakening of sterling, creating imported cost price inflation and, in turn, retail price inflation, leading to a dampening of consumer demand. We are closely following developments in this area and will adapt our strategy as the impact of the UK exit from the European Union becomes clearer.

The Group has an exposure to US Dollars for the purchase of goods and this is partially hedged by virtue of invoicing a proportion of its turnover in US Dollars. In addition, the Group invoices a proportion of its turnover in Euros and Canadian Dollars and where necessary, the Group uses forward currency contracts to further mitigate its foreign currency exposure.

6. FINANCIAL INSTRUMENTS

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

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

7. REVENUE

Geographical split by location:

	Unaudited 6 months ended 31 Jan 2018	Unaudited 6 months ended 31 Jan 2017	Audited Year ended 31 July 2017
	£'000	£'000	£'000
United Kingdom	38,810	50,073	79,534
Germany	1,036	712	1,356
Rest of Europe	7,432	15,451	25,929
USA	377	422	806
Rest of World	753	1,428	2,328
Total	48,408	68,086	109,953

8. SEASONALITY OF OPERATIONS

Overall the Group's product range is not significantly seasonal, however, retail demand is higher in the Christmas trading period. As a result, it is anticipated that the operating profits for the second half of the year ending 31 July 2018 will be lower than those for the six months ended 31 January 2018.

9. EXCEPTIONAL ITEMS AND SHARE BASED PAYMENT CHARGES

	Unaudited 6 months ended 31 Jan 2018	Unaudited 6 months ended 31 Jan 2017	Audited Year ended 31 July 2017
	£'000	£'000	£'000
Shareholder bonuses	-	1,693	2,003
Initial public offering costs	-	-	1,149
Share based payment expense	96	-	80
Total	96	1,693	3,232

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

Initial public offering costs related entirely to the Group's IPO in March 2017 and therefore are not considered to relate to the Group's underlying performance. The costs incurred comprised principally legal and advisory fees and listing costs.

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

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

10. OPERATING PROFIT

	Unaudited 6 months ended 31 Jan 2018	Unaudited 6 months ended 31 Jan 2017	Audited Year ended 31 July 2017
	£'000	£'000	£'000
The profit is stated after charging/(crediting) expenses as follows:			
Exceptional items and share based payment charges - note 9	96	1,693	3,232
Depreciation of owned property, plant and equipment	237	143	394
Loss on disposal of property, plant and equipment	-	2	(5)

EBITDA represents profit from operations before depreciation and amortisation. Underlying EBITDA represents EBITDA, as defined above, adjusted for the exceptional items and share based payment charges set out in note 9 above. The Directors use EBITDA and underlying EBITDA as key performance indicators of the Group's business.

The following table sets forth a reconciliation of EBITDA and Underlying EBITDA to profits from operations for the periods indicated.

	Unaudited 6 months ended 31 Jan 2018	Unaudited 6 months ended 31 Jan 2017	Audited Year ended 31 July 2017
	£'000	£'000	£'000
Profit from operations	4,122	6,976	7,891
Depreciation	237	143	394
Loss on disposal of property, plant and equipment	-	2	(5)
EBITDA	4,359	7,121	8,280
Exceptional items and share based payment charges - note 9	96	1,693	3,232
Underlying EBITDA	4,455	8,814	11,512
Underlying EBITDA margin	9.2 %	12.9 %	10.5 %

11. PROFIT BEFORE TAXATION

The Directors also monitor the Group's performance with respect to profit before taxation and underlying profit before taxation. Underlying profit before taxation represents profit before taxation adjusted for the exceptional items and share based payment charges set out in note 9 above.

The following table sets forth a reconciliation of profit before taxation and underlying profit before taxation for the periods indicated.

	Unaudited 6 months ended 31 Jan 2018	Unaudited 6 months ended 31 Jan 2017	Audited Year ended 31 July 2017
	£'000	£'000	£'000
Profit before taxation	3,942	6,704	7,427
Exceptional items and share based payment charges - note 9	96	1,693	3,232
Underlying profit before taxation	4,038	8,397	10,659

12. TAXATION

	Unaudited 6 months ended 31 Jan 2018	Unaudited 6 months ended 31 Jan 2017	Audited Year ended 31 July 2017
	£'000	£'000	£'000
Total tax expense	818	1,398	1,852
Tax on exceptional items and share based payment charges	-	333	401
Tax expense on underlying profit before taxation	818	1,731	2,253

The interim period tax charge is accrued based on the estimated average annual effective income tax rate of 20.8 % (six months ended 31 January 2017: 20.9 %; year ended 31 July 2017: 24.9 %).

The tax charge for the year ended 31 July 2017 was higher due to a higher level of expenses not deductible for tax purposes included within the exceptional items and share based payment charges arising in the second half of the year ended 31 July 2017.

The effective income tax rates on the underlying profit before taxation was 20.3 % (six months ended 31 January 2017: 20.6 %; year ended 31 July 2017: 21.1 %).

The Chancellor announced in his Budget on 16 March 2016 that the main rate of corporation tax will be reduced to 17 % from 1 April 2020 and the future current tax charges will reduce accordingly.

13. EARNINGS PER SHARE

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

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

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

	Unaudited 6 months ended 31 Jan 2018	Unaudited 6 months ended 31 Jan 2017	Audited Year ended 31 July 2017
	£'000	£'000	£'000
Profit for the period	3,124	5,306	5,575
	Number	Number	Number
Weighted average number of shares – basic	82,169,600	73,706,800	77,254,220
Share options	-	-	946,812
Weighted average number of shares – diluted	82,169,600	73,706,800	78,201,032
	pence	pence	pence
Profit per share – basic	3.8	7.0	7.2
Profit per share – diluted	3.8	7.0	7.1

No dilution arises in the 6 months ended 31 January 2018 as the hurdle for the MIP Option Scheme (explained further in note 25 of the financial statements for the year ended 31 July 2017) was not achieved based upon the interim measurement of the criteria as at 31 January 2018.

The underlying earnings per share referred to below is based upon the underlying profit for the period, which reflects the profit for the period after adding back the exceptional items and share based payment charges set out in note 9 above and the tax effects as set out in note 12 above.

	Unaudited 6 months ended 31 Jan 2018	Unaudited 6 months ended 31 Jan 2017	Audited Year ended 31 July 2017
	£'000	£'000	£'000
Underlying profit before taxation – note 11	4,038	8,397	10,659
Taxation on underlying profit before taxation – note 12	(818)	(1,731)	(2,253)
Underlying profit for the period	3,220	6,666	8,406
	Number	Number	Number
Weighted average number of shares – basic	82,169,600	73,706,800	77,254,220
	pence	pence	pence
Underlying profit per share – basic	3.9	9.0	10.9

14. DIVIDENDS

	Unaudited 6 months ended 31 Jan 2018	Unaudited 6 months ended 31 Jan 2017	Audited Year ended 31 July 2017
	£'000	£'000	£'000
Final dividend paid	2,872	199	199
Interim declared and paid	-	-	1,331
	2,872	199	1,530
Per share – adjusted	pence	pence	pence
Final dividend paid	3.495	0.27	0.27
Interim declared and paid	-	-	1.62
	3.495	0.27	1.89

The adjusted number of shares reflects the subdivision of ordinary share capital from 205,424 £1 shares into 82,169,600 0.25 p shares on 28 February 2017.

The final dividend declared in respect of the year ended 31 July 2017 was paid in the 6 months ended 31 January 2018.

An interim dividend of 0.83 p per share was approved by the Board on 27 April 2018 and will be paid on 27 July 2018 to shareholders on record as at 6 July 2018.

15. PROPERTY, PLANT AND EQUIPMENT

	Unaudited as at 31 Jan 2018	Unaudited as at 31 Jan 2017	Audited as at 31 July 2017
	£'000	£'000	£'000
Opening net book value	1,715	970	970
Additions	412	557	1,162
Disposals	-	(2)	(23)
Depreciation	(237)	(143)	(394)
Closing net book value	1,890	1,382	1,715

Additions to property, plant and equipment during the 6 months to 31 January 2017 and the year ended 31 July 2017 substantially included expenditure relating to the refurbishment of Heron Mill, the Group's new warehousing facility. Such expenditure in the 6 months to 31 January 2018 has reduced and the refurbishment is now substantially complete.

16. TRADE AND OTHER RECEIVABLES

	Unaudited as at 31 Jan 2018	Unaudited as at 31 Jan 2017	Audited as at 31 July 2017
	£'000	£'000	£'000
Trade receivables	10,348	18,994	10,474
Other receivables and prepayments	1,209	1,582	1,271
	11,557	20,576	11,745

The Directors believe that the carrying value of trade and other receivables represent their fair value. Trade and other receivables are denominated in Sterling, US Dollars, Euros and Canadian Dollars. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date.

17. TRADE AND OTHER PAYABLES

	Unaudited as at 31 Jan 2018	Unaudited as at 31 Jan 2017	Audited as at 31 July 2017
	£'000	£'000	£'000
Trade payables	5,640	8,273	5,803
Accruals	5,057	7,533	6,207
Social security and other taxes	1,048	489	506
	11,745	16,295	12,516

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

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

18. BORROWINGS

	Unaudited as at 31 Jan 2018	Unaudited as at 31 Jan 2017	Audited as at 31 July 2017
	£'000	£'000	£'000
Current			
Bank overdraft and invoice discounting	1,321	4,067	1,016
Import loans	2,841	2,155	534
	4,162	6,222	1,550
Less: Unamortised debt issue cost	(30)	(28)	(32)
	4,132	6,194	1,518
Non-current			
Revolving credit facility	2,698	4,227	4,499
	2,698	4,227	4,499
Less: Unamortised debt issue cost	(41)	(64)	(68)
	2,657	4,163	4,431
Total borrowings	6,789	10,357	5,949
The earliest that lenders of the above borrowings require repayment is as follows:			
In less than one year	4,162	6,222	1,550
Between two and five years	2,698	4,227	4,499
Less: Unamortised debt issue cost	(71)	(92)	(100)
	6,789	10,357	5,949

The Group is funded by external bank facilities provided by HSBC. The facilities run to July 2020 providing the ongoing funding of the Group and comprise a revolving credit facility of £6.2 m, an import loan facility of £6.5 m and an invoice discounting facility of £17 m.

19. FINANCIAL INSTRUMENTS

a) Principal financial instruments

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

	Unaudited as at 31 Jan 2018	Unaudited as at 31 Jan 2017	Audited as at 31 July 2017
	£'000	£'000	£'000
Trade and other receivables	10,376	19,349	10,491
Trade and other payables	10,696	15,806	12,010
Borrowings	6,789	10,357	5,949
Cash and cash equivalents	122	119	91

b) Financial assets

The Group held the following financial assets at amortised cost:

	Unaudited as at 31 Jan 2018	Unaudited as at 31 Jan 2017	Audited as at 31 July 2017
	£'000	£'000	£'000
Cash and cash equivalents	122	119	91
Trade receivables	10,348	18,994	10,474
	10,470	19,113	10,565

c) Financial liabilities

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

	Unaudited as at 31 Jan 2018	Unaudited as at 31 Jan 2017	Audited as at 31 July 2017
	£'000	£'000	£'000
Trade payables	5,640	8,273	5,803
Loans	6,789	10,357	5,949
Other payables	5,057	7,533	6,207
	17,486	26,163	17,959

d) Financial assets /(liabilities)

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

	Unaudited as at 31 Jan 2018	Unaudited as at 31 Jan 2017	Audited as at 31 July 2017
	£'000	£'000	£'000
Forward currency contracts	(589)	309	(200)
Interest rate caps	17	40	13
Interest rate swaps	12	6	4
	(560)	355	(183)

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

	Unaudited as at 31 Jan 2018	Unaudited as at 31 Jan 2017	Audited as at 31 July 2017
	£'000	£'000	£'000
Trade receivables	10,348	18,994	10,474
Forward currency contracts	-	309	-
Interest rate caps	17	40	13
Interest rate swaps	12	6	4
Prepayments and other receivables not classified as financial instruments	1,180	1,227	1,254
Trade and other receivables (note 16)	11,557	20,576	11,745

	Unaudited as at 31 Jan 2018	Unaudited as at 31 Jan 2017	Audited as at 31 July 2017
	£'000	£'000	£'000
Trade and other payables held at amortised cost	10,108	15,806	11,810
Forward currency contracts	589	-	200
Social security and other taxes	1,048	489	506
Trade and other payables (note 17)	11,745	16,295	12,516

Derivative financial instruments – Forward contracts

The Group mitigates the exchange rate risk for certain foreign currency trade debtors and creditors by entering into forward currency contracts. At 31 January 2018, the outstanding contracts all mature within 12 months of the period end (31 January 2017: 7 months; 31 July 2017: 12 months). At 31 January 2018, the Group was committed to buy US\$15,750,000, to sell € 8,950,000 and to sell CA\$90,000, paying and receiving respectively a fixed sterling amount (31 January 2017: to buy US\$4,000,000, to sell € 1,700,000 and to sell CA\$225,000; 31 July 2017: to buy US\$11,650,000, to sell US\$3,500,000 to sell € 7,050,000 and to sell CA\$nil). The forward currency contracts are measured at fair value using the relevant exchange rates for GBP:USD, GBP:EUR and GBP:CAD. The fair value of the contracts at 31 January 2018 is a liability of £589,000 (31 January 2017: £309,000 asset; 31 July 2017: £200,000 liability).

Forward currency contracts are valued using level 2 inputs. The valuations are calculated using the period end exchange 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 on the changes in the future cash flows based on the change in value of the underlying derivative.

Derivative financial instruments – Interest rate swaps

The Group has entered into an interest rate swap to hedge the exposure to interest rate movements on the Group's revolving credit facility. The swap is based on a principal amount of £2,000,000 until 31 July 2018 and exchanges the exposure to a LIBOR interest rate to a fixed rate of 0.39 %. The fair value of the swap at 31 January 2018 is an asset of £2,000, (31 January 2017: £nil, 31 July 2017: £nil).

In addition, the Group has entered into an interest rate swap to hedge the Group's exposure to interest rate movements on the Group's invoice discounting facility. The swap is based on a principal amount of £1,000,000 until 31 December 2019 and exchanges the exposure to Base Rate interest charges to a fixed rate of 0.31 %. The fair value of the swap at 31 January 2018 is an asset of £10,000 (31 January 2017: £6,000 asset, 31 July 2017: £4,000 asset).

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

Derivative financial instruments – Interest rate caps

Along with the interest rate swaps referred to above, the Group has entered into interest rate cap agreements to protect the exposure to interest rate movements on the Group's banking facilities. The interest rate caps are measured at fair value, being the market value of the cap at the balance sheet date.

The Group has entered into an agreement to cap LIBOR interest rates at 1 % until 31 December 2019 on a principal amount of £4,000,000. The fair value of the interest rate cap at 31 January 2018 was an asset of £8,000 (31 January 2017: £20,000 asset, 31 July 2017: £6,000 asset).

In addition, at 31 January 2018, the Group has entered into further agreements to cap LIBOR interest rates at 2 % on a principal amount of £4,702,000, reducing to £2,842,000 by 31 December 2019. The fair value of the interest rate caps at 31 January 2018 was an asset of £9,000, (31 January 2017: £20,000 asset, 31 July 2017: £7,000 asset).

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

20. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Interim dividend

As disclosed in note 14, an interim dividend of 0.83 p per share will be paid on 27 July 2018.

21. RELATED PARTY TRANSACTIONS

	Unaudited 6 months ended 31 Jan 2018	Unaudited 6 months ended 31 Jan 2017	Audited Year ended 31 July 2017
	£'000	£'000	£'000
Transactions with related companies and businesses			
Rent paid to Ultimate Apartments pension scheme	-	90	163
Rent paid to Heron Mill Limited	120	121	241
Rent paid to Ultimate Apartments Limited	-	-	3
Rent paid to Berbar Properties Limited	90	-	17
	210	211	424

The Directors confirm that these consolidated condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, as adopted by the European Union. The interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The Directors of UP Global Sourcing Holdings plc are listed on pages 32 to 35 of the Group's Annual Report for the year ended 31 July 2017, which is available on the Group's website, www.upgs.com.

For and on behalf of the Board of Directors



ANDREW GOSSAGE
MANAGING DIRECTOR
28th April 2017



GRAHAM SCREAWN
FINANCE DIRECTOR
28th April 2017

INTRODUCTION

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2018 which comprises the consolidated condensed income statement, consolidated condensed statement of comprehensive income, consolidated condensed statement of financial position, consolidated condensed statement of changes in equity, consolidated condensed cash flow statement and the related explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

OUR RESPONSIBILITY

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.


Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

A handwritten signature in black ink that reads "BDO LLP". Below the signature is a long, slightly curved horizontal line.

BDO LLP
Chartered Accountants
Manchester
United Kingdom
27th April 2018

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



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