UP GLOBAL SOURCING HOLDINGS PLC

INTERIM REPORT 2017

WELCOME TO THE HOME OF BRANDS

UP ULTIMATE PRODUCTS

CONTENTS

The overarching 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. The Group has been able to achieve growth through:

(1) increased listings and the store expansion of UK and European discounters;
(2) increased penetration of UK supermarkets;
(3) growth in sales via online platforms; and
(4) international expansion.

The on-going focus on this strategy has delivered a strong performance in the first half of the financial year against a challenging retail backdrop, with revenue up 62.2%, underlying EBITDA[1] up 75.1%, and underlying profit before tax[1] up 77.9% against the prior year.

TRADING

Revenue for the period was £68.1 million, an increase of £26.1 million or 62.2% on the same period last year (6 months to 31 January 2016 ("H1 2016"): £42.0 million). This was driven by three main factors:

(1) growth in sales to discounters both in the UK and in Europe (+£19.1 million);
(2) increased sales from the main UK supermarkets (+£5.0 million); and
(3) the emergence of online platforms as a new revenue channel for the business (+£1.3 million).

Gross margin came under pressure as imported price inflation from a weakened sterling took effect in the wake of the Brexit referendum. This led to a reduction in gross margin of 1.4% to 24.6% (H1 2016: 26.0%).

Despite this, underlying EBITDA margin[1] increased to 12.9% (H1 2016: 12.0%). This reflects:

(1) the economies of scale from higher revenue;
(2) the change in sales mix, with an increased proportion of Free on Board sales (which is less overhead intensive), offset to a partial extent by increased sales via online platforms (which is more overhead intensive); and
(3) a more efficient operating model as the focus on the Group's brand portfolio has led to more repeat sales and extended product life cycles. This is evidenced by a fall in fixed overheads as a percentage of revenue to 9.1% for the period (H1 2016: 11.5%).

As a result of increased revenue and higher operating margins, EBITDA for the period increased 69.5% to £7.1 million (H1 2016: £4.2 million). Underlying EBITDA was £8.8 million, an increase of £3.8 million or 75.1% on prior year (H1 2016: £5.0 million).

Profit before tax ("PBT") for the period was £6.7 million, an increase of £2.8 million or 72.5% on last year (H1 2016: £3.9 million). Underlying PBT increased 77.9% to £8.4 million (H1 2016: £4.7 million).

BALANCE SHEET

Shareholders' equity was £6.2 million at 31 January 2017, up from £6.1 million at 31 January 2016. This movement was the net result of an increase in retained earnings of £4.7 million – less repayment of £4.9 million of management loan notes included within equity as the capital reserve – plus an increase in the hedging reserve of £0.3 million.

Net working capital at 31 January 2017 was £15.9 million, up from £11.3 million at 31 January 2016 – an increase of £4.6 million or 41%. This was entirely driven by the increase in revenue in the period.

Net cash from operations for the period was £3.0 million, an increase of £0.1 million or 3.4% (H1 2016: £2.9 million) as a result of the higher EBITDA, partially offset by the increase in additional net working capital.

Net debt at 31 January 2017 was £10.2 million up from £3.1 million at 31 January 2016, an increase of £7.1 million. The main drivers of this were:

(1) higher net working capital (see above);
(2) repayment of £4.9 million of management loan notes (classified as equity);
(3) repayment of accrued interest on management loan notes of £2.0 million, offset by;
(4) an increase in retained profits.

The net debt / underlying EBITDA ratio at 31 January 2017 was 0.9x (31 January 2016: 0.4x) based on underlying EBITDA for the 12 months to 31 January 2017. The Group had headroom within its bank facilities of £9.7 million as at 31 January 2017.

WAREHOUSE REFURBISHMENT

In April 2016, the Group entered into a seven year lease for a warehouse at Heron Mill in Oldham, and since then has embarked on a refurbishment programme of the facility. This is now largely complete, and Heron Mill is now the main warehouse facility carrying the majority of the Group's inventory.

The full transition from Manor Mill, the Group's previous main warehouse facility, will take until July 2017 to complete but is progressing to plan. Once completed, Manor Mill will continue to be used as the Group Headquarters, customer showroom and warehouse facility for certain categories of stock.

The rent for Heron Mill is £285,000 per annum (subject to an initial 12 month rent-free period), which equates to £1.19 per square foot per year. Total refurbishment expenditure to 31 January 2017 was £0.7 million, with a further £0.4 million expected before the end of FY17.

INITIAL PUBLIC OFFERING

On 6 March 2017, UP Global Sourcing Holdings plc was admitted to the premium segment of the Official List of the Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange plc.

BOARD APPOINTMENTS

The Group's Board has been substantially strengthened through the appointments of James McCarthy as Chairman, Alan Rigby as Senior Independent Non-Executive Director, and Robbie Bell as Non-Executive Director.

James McCarthy has over 40 years' experience in the fast-moving retail industry, having previously held the position of Chief Executive Officer of Poundland Group plc. He stepped down in July 2016 after a decade long tenure during which the company's sales grew from £300 million to £1.3 billion per annum, while the number of stores increased from 150 to over 900. Prior to joining Poundland, James was Managing Director of Convenience at J Sainsbury plc and was a member of the company's operating, retail and investment boards.

Alan Rigby has 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.

Robbie Bell has been the Chief Financial Officer of Screwfix Direct Limited, a subsidiary of Kingfisher Plc, since 2009. He was previously the UK Finance Director of Travelodge between 2006 and 2008, having started his career at Whitbread plc before moving to Tesco plc.

DIVIDEND

The Board has declared an interim dividend of 1.62 pence per share, payable on 28th July 2017 to shareholders on the register on 7th July 2017.

CURRENT TRADING AND OUTLOOK

Performance since the period end and development of the order book for the balance of the financial year has been in line with the Group's expectations. The Board therefore believes that Ultimate Products remains well positioned to deliver on expectations for FY17.

The proven viability of Ultimate Products' strategy, as well as its strong portfolio of mass market brands and innovative, value for money product ranges, means that the Group feels well placed to deliver further growth in the remainder of this year and continues to be confident in its long-term prospects.

JIM McCARTHY
CHAIRMAN

SIMON SHOWMAN
CHIEF EXECUTIVE

[1]Underlying EBITDA, underlying EBITDA margin and underlying profit before tax exclude shareholder bonuses as referred to in notes 9 and 10 below.

CONSOLIDATED CONDENSED INCOME STATEMENT

	Note	Unaudited 6 months ended 31 Jan 2017 £'000	Unaudited 6 months ended 31 Jan 2016 £'000	Audited Year ended 31 July 2016 £'000
Revenue	7	**68,086**	41,987	79,028
Cost of sales		**(51,343)**	(31,075)	(58,364)
Gross profit		**16,743**	10,912	20,664
Distribution costs		**(1,038)**	(617)	(1,194)
Administration expense		**(8,741)**	(6,232)	(12,784)
Other income		**12**	7	14
Profit from operations	9	**6,976**	4,070	6,700
Finance income		**21**	-	-
Finance costs		**(293)**	(184)	(441)
Profit before taxation	10	**6,704**	3,886	6,259
Income tax	11	**(1,398)**	(820)	(1,361)
Profit for the period		**5,306**	3,066	4,898

		Pence	Pence	Pence
Earnings per share - basic	12	**2,812**	1,662	2,652
Earnings per share - adjusted	12	**7.0**	4.2	6.6

Ex-div date: 6th July 2017
Record date: 7th July 2017

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 31 Jan 2017	Unaudited 6 months ended 31 Jan 2016	Audited Year ended 31 July 2016
	£'000	£'000	£'000
Profit for the period	**5,306**	3,066	4,898
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
Fair value movements on cash flow hedging instruments	**(133)**	-	441
Foreign currency retranslation	**8**	9	19
Other comprehensive (expense)/income for the period	**(125)**	9	460
Total comprehensive income for period attributable to the equity holders of the company	**5,181**	3,075	5,358

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 31 Jan 2017	Unaudited As at 31 Jan 2016	Audited As at 31 July 2016
		£'000	£'000	£'000
Assets				
Property, plant and equipment	14	1,382	680	970
Deferred tax		164	234	209
Total non-current assets		1,546	914	1,179
Inventories		11,835	8,719	10,545
Trade and other receivables	15	20,576	12,714	16,231
Cash and cash equivalents		119	788	136
Total current assets		32,530	22,221	26,912
Total assets		34,076	23,135	28,091
Liabilities				
Trade and other payables	16	(16,295)	(12,316)	(16,403)
Current tax		(1,248)	(893)	(478)
Borrowings	17	(6,194)	(2,856)	(7,132)
Total current liabilities		(23,737)	(16,065)	(24,013)
Net current assets		8,793	6,156	2,899
Borrowings	17	(4,163)	(1,000)	(2,884)
Total non-current liabilities		(4,163)	(1,000)	(2,884)
Total liabilities		(27,900)	(17,065)	(26,897)
Net assets		6,176	6,070	1,194
Equity				
Share capital		184	184	184
Share premium		2	2	2
Capital reserve		-	4,909	-
Hedging reserve		308	-	441
Retained earnings		5,682	975	567
Equity attributable to owners of the company		6,176	6,070	1,194

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Capital reserve	Hedging reserve	Retained earnings	Total equity
	£'000	£'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 year	-	-	-	(133)	5,314	5,181
Transactions with shareholders:						
Dividends payable	-	-	-	-	(199)	(199)
As at 31 January 2017	**184**	**2**	**-**	**308**	**5,682**	**6,176**

	Share capital	Share premium	Capital reserve	Hedging reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 August 2015	**185**	**12,322**	**4,909**	**-**	**(14,422)**	**2,994**
Profit for the period	-	-	-	-	3,066	3,066
Foreign currency translation	-	-	-	-	9	9
Total comprehensive income for the year	-	-	-	-	3,075	3,075
Transactions with shareholders:						
Capital reduction	(1)	(12,320)	-	-	12,322	1
Repayment of loan notes	-	-	-	-	-	-
As at 31 January 2016	**184**	**2**	**4,909**	**-**	**975**	**6,070**

	Share capital	Share premium	Capital reserve	Hedging reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 August 2015	**185**	**12,322**	**4,909**	**-**	**(14,422)**	**2,994**
Profit for the year	-	-	-	-	4,898	4,898
Foreign currency translation	-	-	-	-	19	19
Cash flow hedging movement	-	-	-	441	-	441
Total comprehensive income for the year	-	-	-	441	4,917	5,358
Transactions with shareholders:						
Dividends payable	-	-	-	-	(2,250)	(2,250)
Capital reduction	(1)	(12,320)	-	-	12,322	1
Repayment of loan notes	-	-	(4,909)	-	-	(4,909)
As at 31 July 2016	**184**	**2**	**-**	**441**	**567**	**1,194**

CONSOLIDATED CONDENSED CASH FLOW STATEMENT

	Unaudited 6 months ended 31 Jan 2017	Unaudited 6 months ended 31 Jan 2016	Audited Year ended 31 July 2016
	£'000	£'000	£'000
Net cash flow from operating activities			
Profit for the period	**5,306**	3,066	4,898
Adjustments for:			
Finance income	**(21)**	-	-
Finance costs	**293**	184	441
Loss on disposal of non-current assets	**2**	-	-
Income tax expense	**1,398**	820	1,361
Depreciation and impairment	**143**	131	280
Income taxes paid	**(582)**	(397)	(1,309)
Working capital adjustments			
(Increase) in inventories	**(1,290)**	(989)	(2,815)
(Increase) in trade and other receivables	**(4,497)**	(1,678)	(4,740)
Decrease in trade and other payables	**2,224**	1,741	5,545
Net cash from operations	**2,976**	2,878	3,661
Cash flows used in investing activities			
Purchase of property, plant and equipment	**(557)**	(212)	(652)
Net cash used in investing activities	**(557)**	(212)	(652)
Cash flows (used in)/from financing activities			
Purchase of own shares	-	(12)	(18)
Proceeds from borrowings	**2,137**	1,225	8,891
Repayment of borrowings	**(1,821)**	(1,857)	(3,294)
Repayment of loan notes	-	(1,150)	(6,059)
Debt issue costs paid	-	-	(142)
Dividends paid	**(2,449)**	-	-
Interest paid	**(309)**	(146)	(2,316)
Net cash (used in) finance activities	**(2,442)**	(1,940)	(2,938)
Net (decrease)/increase in cash and cash equivalents	**(23)**	726	71
Cash and cash equivalents brought forward	**136**	58	58
Exchange gains on cash and cash equivalents	**6**	4	7
Cash and cash equivalents carried forward	**119**	788	136

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. On 6 March 2017, the Company was admitted to the premium segment of the Official List of the Financial Conduct Authority and to trading on the main market of the London Stock Exchange. The Prospectus for the Initial Public Offering contains the audited Historical Financial Information of the Company on pages 84 to 124 (the "Historical Financial Information") presented under International Financial Reporting Standards ("IFRS"). The comparative figures for the financial year ended 31 July 2016 are an extract of the Company's Historical Financial Information for that year. Statutory accounts for the year ended 31 July 2016, prepared under Financial Reporting Standard 102, were approved by the board of directors on 31 October 2016 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006. Note 31 of the Historical Financial Information refers to the transition to IFRS from 1 August 2013 and sets out the main items contributing to the change in financial information compared with that reported under UK GAAP as at the transition date.

2. BASIS OF PREPARATION

This consolidated condensed interim financial information for the six months ended 31 January 2017 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 Historical Financial Information for the year ended 31 July 2016, which has been prepared in accordance with IFRSs as adopted by the European Union.

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 Historical Financial Information for the year ended 31 July 2016.

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 within the Group's Historical Financial Information on pages 96-97 and pages 111-113 of the Prospectus for the Initial Public Offering, which is available on our website, www.upgs.com.

We do note that the result of the referendum in favour of the UK leaving the European Union and the triggering of Article 50 may have an impact on the Group. We are closely following developments in this area, but we believe that it is still too early to quantify or determine with certainty the impact on the Group of the UK leaving the European Union. We will continue to monitor developments and adapt our strategy as the impact of the UK exit from the European Union becomes clear. 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 Historical Financial Information as they do not include all financial risk management information and disclosures contained within the Historical Financial Information. 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 2017	Unaudited 6 months ended 31 Jan 2016	Audited Year ended 31 July 2016
	£'000	£'000	£'000
United Kingdom	**50,073**	32,492	58,504
Europe	**16,163**	7,437	17,259
USA	**422**	279	628
Rest of World	**1,428**	1,779	2,637
Total	**68,086**	41,987	79,028

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 2017 will be lower than those for the six months ended 31 January 2017.

9. OPERATING PROFIT

	Unaudited 6 months ended 31 Jan 2017	Unaudited 6 months ended 31 Jan 2016	Audited Year ended 31 July 2016
	£'000	£'000	£'000
The profit is stated after charging expenses as follows:			
Depreciation of owned property, plant and equipment	**143**	131	280
Loss on disposal of property, plant and equipment	**2**	-	-
Shareholder bonus	**1,693**	833	1,246

EBITDA represents profit from operations before depreciation and amortisation. Underlying EBITDA represents EBITDA, as defined above, adjusted for shareholder bonuses which will cease to accrue on conclusion of the current year ending 31 July 2017. The directors use EBITDA and underlying EBITDA as key performance indicators of the Group's business. Shareholder bonuses consist of bonus payments based on achievement of certain Group EBITDA performance targets.

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 2017	Unaudited 6 months ended 31 Jan 2016	Audited Year ended 31 July 2016
	£'000	£'000	£'000
Profit from operations	**6,976**	4,070	6,700
Depreciation	**143**	131	280
Loss on disposal of property plant and equipment	**2**	-	-
EBITDA	**7,121**	4,201	6,980
Shareholder bonuses	**1,693**	833	1,246
Underlying EBITDA	**8,814**	5,034	8,226
Underlying EBITDA margin	**12.9%**	12.0%	10.4%

10. PROFIT BEFORE TAXATION

As referred to above in note 9, shareholder bonuses will cease to accrue on conclusion of the current year ending 31 July 2017. The directors also monitor the Group's performance with respect to profit before taxation and underlying profit before taxation.

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 2017	Unaudited 6 months ended 31 Jan 2016	Audited Year ended 31 July 2016
	£'000	£'000	£'000
Profit before taxation	**6,704**	3,886	6,259
Shareholder bonuses	**1,693**	833	1,246
Underlying profit before taxation	**8,397**	4,719	7,505

11. TAXATION

The interim period tax charge is accrued based on the estimated average annual effective income tax rate of 20.9% (six months ended 31 January 2016: 21.1%; year ended 31 July 2016: 21.7%).

The Chancellor announced in his Budget on 16 March 2016 that the main rate of corporation tax will be reduced to 19% from 1 April 2017 and 17% from 1 April 2020 and the future current tax charges will reduce accordingly.

12. 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.

The calculations of earnings per share and adjusted earnings per share are based on the following with the adjusted weighted average number of shares and profit per share reflecting the subdivision described in note 19:

	Unaudited 6 months ended 31 Jan 2017	Unaudited 6 months ended 31 Jan 2016	Audited Year ended 31 July 2016
	£'000	£'000	£'000
Profit for the period	**5,306**	3,066	4,898
	Number	Number	Number
Weighted average number of shares - basic	**184,267**	185,044	184,658
Weighted average number of shares – adjusted	**73,706,800**	74,017,670	73,863,084
	pence	pence	pence
Profit per share – basic and diluted	**2,812**	1,662	2,652
Profit per share – adjusted	**7.0**	4.2	6.6

13. DIVIDENDS

	Unaudited 6 months ended 31 Jan 2017	Unaudited 6 months ended 31 Jan 2016	Audited Year ended 31 July 2016
	£'000	£'000	£'000
Interim declared	**-**	-	2,250
Final dividend paid	**199**	-	-
	199	-	2,250
Per share – (unadjusted)	**pence**	pence	pence
Interim dividend declared	**-**	-	1,221.1
Final dividend paid	**108.0**	-	-
	108.0	-	1,221.1
Per share (adjusted to reflect the subdivision described in note 19)	**pence**	pence	pence
Interim dividend declared	**-**	-	3.05
Final dividend paid	**0.27**	-	-
	0.27	-	3.05

The interim dividend declared in the year ended 31 July 2016 was paid in the 6 months ended 31 January 2017.

An interim dividend of 1.62p per share was approved by the board on 28th April 2017 and will be paid on 28th July 2017 to shareholders on record as at 7th July 2017.

14. PROPERTY, PLANT AND EQUIPMENT

	Unaudited As at 31 Jan 2017	Unaudited As at 31 Jan 2016	Audited As at 31 July 2016
	£'000	£'000	£'000
Opening net book value	**970**	598	598
Additions	**557**	212	652
Disposals	**(2)**	-	-
Depreciation	**(143)**	(130)	(280)
Closing net book value	**1,382**	680	970

Additions to property, plant and equipment in the 6 months to 31 January 2017 substantially relate to the refurbishment of Heron Mill, the Group's new warehousing facility.

15. TRADE AND OTHER RECEIVABLES

	Unaudited As at 31 Jan 2017	Unaudited As at 31 Jan 2016	Audited As at 31 July 2016
	£'000	£'000	£'000
Trade receivables	18,994	11,828	14,686
Other receivables and prepayments	1,582	886	1,545
	20,576	12,714	16,231

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.

16. TRADE AND OTHER PAYABLES

	Unaudited As at 31 Jan 2017	Unaudited As at 31 Jan 2016	Audited As at 31 July 2016
	£'000	£'000	£'000
Trade payables	8,273	3,909	7,420
Accruals and deferred income	7,533	7,790	5,670
Employee tax and social security	489	611	1,063
Other payables	-	6	2,250
	16,295	12,316	16,403

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 have financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

17. BORROWINGS

	Unaudited As at 31 Jan 2017	Unaudited As at 31 Jan 2016	Audited As at 31 July 2016
	£'000	£'000	£'000
Current:			
Bank overdraft and invoice discounting	**4,067**	-	3,198
Import loans	**2,155**	2,154	3,976
Bank term loan	**-**	750	-
	6,222	2,904	7,174
Less: Unamortised debt issue costs	**(28)**	(48)	(42)
	6,194	2,856	7,132
Non-current:			
Bank term loan	**-**	1,000	-
Revolving credit facility	**4,227**	-	2,959
	4,227	1,000	2,959
Less: Unamortised debt issue costs	**(64)**	-	(75)
	4,163	1,000	2,884
Total borrowings	**10,357**	3,856	10,016
The earliest that lenders of the above borrowings require repayment is as follows:			
In less than one year	**6,222**	2,904	7,174
Between two and five years	**4,227**	1,000	2,959
Less: Unamortised debt issue cost	**(92)**	(48)	(117)
	10,357	3,856	10,016

The Group is funded by external bank facilities provided by HSBC. On 22 July 2016, the Group refinanced and entered into a new banking facility with HSBC. The new facilities run to July 2020 providing the ongoing funding of the Group and comprise a revolving credit facility of £6.2m, an import loan facility of £4.75m and an invoice discounting facility, the limit of which was increased by £2m on 27 January 2017 to £17m.

18. 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 2017	Unaudited As at 31 Jan 2016	Audited As at 31 July 2016
	£'000	£'000	£'000
Trade and other receivables	**19,349**	11,887	15,159
Trade and other payables	**15,806**	11,705	15,340
Borrowings	**10,357**	3,856	10,016
Cash and cash equivalents	**119**	788	136

b) Financial assets

The Group held the following financial assets at amortised cost:

	Unaudited As at 31 Jan 2017	Unaudited As at 31 Jan 2016	Audited As at 31 July 2016
	£'000	£'000	£'000
Cash and cash equivalents	**119**	788	136
Trade receivables	**18,994**	11,828	14,686
	19,113	12,616	14,822

c) Financial liabilities

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

	Unaudited As at 31 Jan 2017	Unaudited As at 31 Jan 2016	Audited As at 31 July 2016
	£'000	£'000	£'000
Trade payables	**8,273**	3,909	7,420
Loans	**10,357**	3,856	10,016
Other payables	**7,533**	7,796	7,870
	26,163	15,561	25,306

d) Financial assets /(liabilities)

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

	Unaudited As at 31 Jan 2017	Unaudited As at 31 Jan 2016	Audited As at 31 July 2016
	£'000	£'000	£'000
Forward currency contracts	**309**	57	417
Interest rate caps	**40**	2	19
Interest rate swaps	**6**	-	(13)
	355	59	423

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

	Unaudited As at 31 Jan 2017	Unaudited As at 31 Jan 2016	Audited As at 31 July 2016
	£'000	£'000	£'000
Trade receivables	**18,994**	11,828	14,686
Forward currency contracts	**309**	57	454
Interest rate caps	**40**	2	19
Interest rate swaps	**6**	-	-
Prepayments and other receivables not classed as financial instruments	**1.227**	827	1,072
Trade and other receivables (note 15)	**20,576**	12,714	16,231

	Unaudited As at 31 Jan 2017	Unaudited As at 31 Jan 2016	Audited As at 31 July 2016
	£'000	£'000	£'000
Trade and other payables held at amortised cost	**15,806**	11,705	15,290
Forward currency contracts	**-**	-	37
Interest rate swaps	**-**	-	13
Employee tax and social security	**489**	611	1,063
Trade and other payables (note 16)	**16,295**	12,316	16,403

Derivative financial instruments – Forward currency 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 2017, the outstanding contracts all mature within 7 months of the period end (31 January 2016: 7 months; 31 July 2016: 10 months). At 31 January 2017, the Group was committed to buy US$4,000,000, to sell €1,700,000 and to sell CA$225,000, paying and receiving respectively a fixed sterling amount (31 January 2016: to buy $6,100,000, to sell €2,250,000 and to sell CA$80,000; 31 July 2016: to buy US$10,000,000, to sell €850,000 and to sell CA$85,000). The forward currency contracts are measured at fair value using the relevant exchange rates for GBP:USD, GBP:EUR and GBP:CA$. The fair value of the contracts at 31 January 2017 is an asset of £309,000 (31 January 2016: £57,000 asset; 31 July 2016: £417,000 asset).

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 2017 is £nil, (31 January 2016: £nil, 31 July 2016: £7,000 liability).

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 2017 is an asset of £6,000 (31 January 2016: £nil, 31 July 2016: £6,000 liability).

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. At 31 January 2017, the Group had entered into an agreement to cap LIBOR interest rates at 1% until 31 December 2019 on a principal amount of £2,000,000. The fair value of the interest rate cap at 31 January 2017 was an asset of £10,000 (31 January 2016: £nil, 31 July 2016: £6,000 asset).

In addition, at 31 January 2017, the Group has entered into further agreements to cap LIBOR interest rates at 1% until 31 December 2019 on a principal amount of £2,000,000 and to cap LIBOR interest rates at 2% on a principal amount of £5,065,000, reducing to £4,045,000 by 31 December 2019. The fair value of the interest rate caps at 31 January 2017 was an asset of £30,000, (31 January 2016: £2,000 asset, 31 July 2016: £13,000 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.

19. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Initial Public Offering
On 6 March 2017, UP Global Sourcing Holdings plc was admitted to the premium segment of the Official List of the Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange plc. Of the 82,169,600 Ordinary shares in issue immediately prior to the above, 41,084,800 shares were issued to the new shareholders.

In advance of and in connection with the admission noted above, on 28 February 2017:-

a) 21,157 options in the UP Global Sourcing Holdings EMI Share Option Plan were exercised and the Company allotted 21,157 B Ordinary shares of £1 each;
b) The Company converted its 184,267 A Ordinary shares of £1 each and its 21,157 B Ordinary shares of £1 each to 205,424 £1 Ordinary shares; and
c) The Company sub-divided its 205,424 £1 Ordinary shares into 82,169,600 shares with a nominal value of 0.25p.

On conclusion of the above the Company's share capital now comprises 82,169,600 Ordinary shares of 0.25p each.

Interim dividend
As disclosed in note 13, an interim dividend of 1.62p per share will be paid on 28th July 2017.

20. RELATED PARTY TRANSACTIONS

	Unaudited 6 months ended 31 Jan 2017	Unaudited 6 months ended 31 Jan 2016	Audited Year ended 31 July 2016
	£'000	£'000	£'000
Transactions with related companies and businesses			
Rent paid to Ultimate Apartments pension scheme	**90**	70	160
Rent paid to Heron Mill Limited	**121**	-	75
	211	70	235

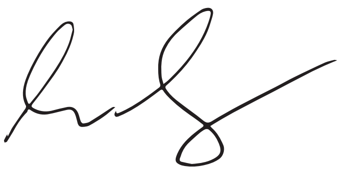
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 page 54 of the Prospectus for the Initial Public Offering, which is available on our 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 2017 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 2017 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.

BDO LLP

BDO LLP
Chartered Accountants
Manchester
United Kingdom
27th April 2017

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

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