5 November 2019

UP Global Sourcing Holdings plc

“Ultimate Products” or the “Group“

FULL YEAR RESULTS FOR THE YEAR ENDED 31 JULY 2019

A year of substantial growth and continuing diversification

Ultimate Products, the owner, manager, designer and developer of an extensive range of value-focused consumer goods brands, announces its full year results for the year ended 31 July 2019.

Financial Highlights

- Total revenue increased by 40.8% to £123.3 m (FY 18: £87.6 m), driven by good growth across each strategic pillar: discounters, supermarkets, online platforms and international customers
  - International revenue up 101.8% to £48.5 m (FY 18: £24.0 m), i.e. 39.4% of total revenue
  - Online revenue up 63.2% to £11.4 m (FY 18: £7.0 m)
- Underlying EBITDA* up 53.4% to £9.9 m (FY 18: £6.5 m)
- Underlying Profit Before Tax* up 50.5% to £8.5 m (FY 18: £5.6 m)
- Profit Before Tax up 51.1% to £8.2 m (FY 18: £5.4 m)
- Net Debt amounted to £14.4 m (FY 18: £12.8 m), with a Net Debt/Underlying EBITDA ratio* of 1.5 x (FY 18: 2.0 x)
- Bank facility headroom of £10.1 m (FY 18: £9.1 m)
- Underlying Earnings Per Share* up 51.9% to 8.2 p (FY 18: 5.4 p)
- Full year dividend up 50.2% to 4.085 p per share (FY 18: 2.72 p)

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

  Underlying measures are calculated after adding back share-based payment charges as referred to in note 6 to the Financial Information.

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

“We are delighted to have delivered substantial revenue and profit growth against such a challenging economic backdrop. It is particularly pleasing that this growth has been broad-based across all of our channels and customer types, with our online and international businesses continuing to trade particularly strongly. Our broadening customer base and the ongoing development of our portfolio of outstanding brands means that we have greater sales and profit diversification than ever before. This has been achieved while maintaining the high levels of service and operational excellence that our customers have come to expect from Ultimate Products, and which set us apart from our competitors.

The market conditions for general merchandise remain challenging in the UK and Ultimate Products, like many others, is faced with an uncertain environment for consumers, retailers and suppliers. However, current trading is in line with expectations and the FY 20 order book is moderately ahead of this time last year. Therefore, despite the wider market uncertainty, we remain confident in the future prospects of Ultimate Products.”

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Notes to Editors

Ultimate Products is an owner, manager, designer and developer of a series of well-known brands focused on the home, selling to over 300 retailers across 38 countries. It has six product categories: Audio; Heating and Cooling; Housewares; Laundry; Luggage; and Small Domestic Appliances. Its brands include Beldray (laundry, floor care, heating and cooling), Intempo (audio), Salter (kitchenware), Constellation (luggage), and Progress (cookware and bakeware).

The Group's products are sold to a broad cross-section of both large national and international multi-channel retailers as well as smaller national retail chains, incorporating discount retailers, supermarkets, general retailers and online retailers. Its best-selling products include frying pans, mugs and speakers, selling approximately one million of each every year.

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

Ultimate Products' graduate development scheme was launched in 2012 and in 2018 it welcomed its one-hundredth graduate. In total, Ultimate Products now employs over 290 staff.

Please note that Ultimate Products is not the owner of Russell Hobbs or Salter. The company currently has licence agreements in place granting it an exclusive licence to use the "Russell Hobbs" trademark for cookware (NB this does not include Russell Hobbs electrical appliances) and the "Salter" trademark for electrical and cookware (NB this does not include Salter scales).

For further information, please visit www.upgs.com

BUSINESS REVIEW

Strategy

The Group's strategy is to develop its portfolio of brands for mass-market, value-led, consumer goods for the home focusing on the following channels:

- Discounters;
- Supermarkets;
- Online platforms; and
- International retailers.

This tried and tested approach has delivered a strong performance in FY 19, despite a challenging market for general merchandise in the UK, the Group's main market, and the Board remains confident that this strategy will continue to deliver sustainable growth.

The business has a superb range of innovative and great value products, an excellent and well invested supply chain, a strong and extensive customer base and, not least, the committed and talented colleagues that we employ who deliver our Company values every day. We offer all our customers quality products with an overall service level that is best in class. This powerful combination is attractive to retailers who require suppliers that can provide certainty in compelling value, quality and supply.

Performance

Trading
Group revenue increased by 40.8 % to £123.3 m (FY 18: £87.6 m) reflecting good growth across each of our four strategic pillars: discounters, supermarkets, online platforms and international customers.

As reported previously, revenue in the prior year was reduced by approximately £4.5 m as a result of the one-off timing impact of a key European customer moving from Free on Board to Landed delivery arrangements. After adjusting for this, the normalised revenue growth in the year was 33.9 %.

As a result of these higher revenues, Underlying EBITDA was up 53.4 % to £9.9 m (FY 18: £6.5 m) and Underlying Profit Before Tax was up 50.5 % to £8.5 m (FY 18: £5.6 m). Gross Margin was down slightly at 22.1 % (FY 18: 22.4 %).

Discounters
Sales to discounters grew by £18.8 m or 41.2 %. This was characterised by strong growth internationally, predominantly in mainland Europe. Overall sales to UK discounters were down but saw a return to growth in H2 FY 19. As highlighted above, part of the international growth was the result of a one-off timing impact which reduced revenue by £4.5 m in the prior year.

Supermarkets
Our brands continue to resonate well with the supermarket shopper and, as a result, supermarket revenue experienced robust growth, increasing by £8.0 m or 66.5 %, with the key drivers being the Salter and Beldray brands. This segment now accounts for 16.3 % of overall revenue. The strong growth has continued since the year-end with a healthy order book for H1 FY 20.

Online platforms
The online segment showed continued and substantial growth, with revenue up £4.4 m or 63.2 % in FY 19. Online accounted for 9.2 % of overall revenue (FY 18: 7.9 %) against a long-term target of 20 %+. The momentum from FY 19 has continued into FY 20 with turnover to date significantly ahead of last year. In only a few years, online has gone from a start-up to a substantial contributor to overall revenue.

During Q1 FY 20, we successfully launched our offer in Germany on a major online platform there and now have the template for a pan-European roll-out which we plan to execute during the rest of FY 20 utilising third-party logistics. This is an exciting new development for the business and we will be investing in additional headcount to facilitate this.

International Retailers
Our international business generated revenue growth of £24.5 m or 101.8 % compared to FY 18. International sales now represent 39.4 % of total revenue (FY 18: 27.4 %) with the Beldray, Russell Hobbs and Progress brands performing particularly well.

While we saw growth across a number of international territories, Germany was the largest single contributor reflecting the investment in our office and showroom in Cologne. During H2 FY 19, we also recruited senior sales personnel there to help drive revenue growth in FY 20 and beyond. The Board continues to see the Group's international business as providing both a substantial growth opportunity and also further geographical diversification.

Margin
Gross margin was down slightly at 22.1 % (FY 18: 22.4 %) reflecting the continued challenge of a weak exchange rate. We are confident that we can continue to mitigate the various pressures on gross margin through our long-standing sourcing expertise and through our focus on detail, which I believe sets us apart from our competition.

Despite the small decrease in gross margin of 0.3 %, our Underlying EBITDA Margin improved by 0.7 %, from 7.4 % to 8.1 %, as turnover growth exceeded overhead growth. Nonetheless, we have experienced increased salary inflation as a result of higher employment, increased demand for graduates, lower availability of EU staff and above inflation increases in the National Living Wage. To offset these increases and the additional requirements of online and international growth, the business continues to invest in its systems and colleagues and has seen significant productivity improvements as a result.

Operational Overview

Brands
In September 2019, we renewed the Russell Hobbs trademark licence with Spectrum Brands through to March 2023. The licence grants us the exclusive right to use the brand on cookware (not electrical appliances) and, significantly, has been extended to cover the entire European Union. This is an important next step in our long-standing partnership with Spectrum Brands, dating back to 2011, and we are excited about the future prospects for this brand. In FY 19, the Group generated revenues of £9.4 m (FY 18: £6.9 m) under the Russell Hobbs brand which accounted for 7.6 % (FY 18: 7.9 %) of total revenues.

The relaunch of the Kleeneze brand, purchased at the end of FY 18, has been successful so far with the rebrand being well-received by retailers and consumers alike with listings now in place across a mix of online and physical retailers. Market research indicates a very high rate of consumer awareness of the brand, which augurs well for its future performance.

Operations
During CY 20, we plan to invest £1.8 m in our head office to provide the additional capacity for future growth and a better quality workspace for our colleagues. We see this as an important next step in our recruitment and retention of key talent, including through our Graduate Development Scheme, as well as giving sufficient headroom for growth for the foreseeable future.

Dividends

The Board has established a dividend policy of distributing 50 % of the Group's adjusted profit after tax. A final dividend is recommended of 2.925 p per share (FY 18: 1.89 p) to give a total dividend of 4.085 p per share for the full year (FY 18: 2.72 p).

The final dividend is payable on 30 January 2020 to shareholders on the register on 3 January 2020.

Brexit

The Board continues to assess the implications of a 'no deal' Brexit and the potential impact on volumes and margins if it led to a material devaluation in Sterling. However, in the longer term, the Board is confident in the adaptability and resilience of the Group's business model, as evidenced by the strong recovery in trading in FY 19 despite a challenging consumer and retail market. Brexit is commented on further in the Financial Review.

Current trading and outlook

The market conditions for general merchandise remain challenging in the UK and Ultimate Products, like many others, is faced with an uncertain environment for consumers, retailers and suppliers. Despite these challenges, the Group has delivered strong growth and a good set of results for FY 19 through a relentless focus on our strategy.

Current trading is in line with expectations with the FY 20 order book moderately ahead of this time last year and, while the conditions in the UK look set to remain challenging, the Board remains confident about the Group's future prospects.

FINANCIAL REVIEW

The financial results for the year ended 31 July 2019 show a pleasing improvement for the Group in what was still a challenging consumer-focused environment, with positive development across most measures set out in the table below.

Overview

	FY 19	FY 18	Change
Revenue (£'m)	123.3	87.6	+40.8 %
Gross margin	22.1 %	22.4 %	-30 bps
Underlying EBITDA (£'m)*	9.9	6.5	+53.4 %
Underlying EBITDA margin*	8.1 %	7.4 %	+70 bps
Underlying profit for the year (£'m)*	6.7	4.5	+50.2 %
Profit for the year (£'m)	6.5	4.3	+50.9 %
Net cash generated/(used) from operations (£'m)	3.8	(2.1)	+£5.9 m
Free cash flow (£'m)*	2.5	(3.2)	+£5.7 m
Net debt (£'m)*	14.4	12.8	+£1.6 m
Net debt/Underlying EBITDA ratio*	1.5 x	2.0 x	-25.0 %
Underlying earnings per share (p)*	8.2	5.4	+51.9 %

The commentary in the Financial Review uses alternative performance measures, which are described as 'Underlying'. Underlying measures, defined further in the Glossary, exclude the share-based payment charges referred to in note 6 to the Financial Information and commented on below.

Revenue
FY 19 revenue increased by 40.8 % to £123.3 m although, as previously reported, revenue in FY 18 was reduced by approximately £4.5 m due to a one-off deferral impact of a major European customer changing supply arrangements from FOB to landed. Adjusting for this deferral, the normalised revenue growth is 33.9 %.

The growth was broad based, across all strategic pillars and core product groups. With the exception of Intempo, all our premier brands experienced strong growth over FY 19.

The deferral impact noted above relates to discount retailers where revenue growth was 41.2 %, with the adjusted and normalised growth being 28.5 %. As explained in the Chief Executive's Review, total sales to UK discounters in FY 19 were below those of FY 18, although growth returned in H2 FY 19.

Our focus and investment in the international business has delivered disproportionate growth in FY 19, with revenue increasing to £48.5 m (+101.8 %) which now represents 39.4 % of the Group's sales (FY 18: 27.4 %). The expansion of the international business is helping to create a more diverse customer base and reduces exposure to the UK economy. Note 5 to the Financial Information indicates that whilst sales to the Group's two largest customers have increased by over 25 %, the share of sales has reduced by 4.3 % to 34.8 %.

Brands
The Group has continued its strategy to concentrate on offering branded, mass-market and value-led consumer goods. The summary of the Premier Brands, representing 60.8 % of total revenue (FY 18: 61.5 %), is set out below:

	FY 19 £'m	FY 18 £'m	Change %
Beldray	32.3	21.5	+50.5
Salter	20.9	13.8	+50.8
Intempo	8.2	8.5	-2.5
Russell Hobbs	9.4	6.9	+35.5
Progress	4.1	3.2	+27.6
	74.9	53.9	+39.0

Overall growth in the Premier Brands broadly reflected the Group result with notable contributions from the 2 largest brands, Beldray and Salter, both of which had particularly strong growth to the Supermarket sector. Intempo showed marginal decline over the year and this reflected the pattern of UK discounters, the largest sector for the brand. However, similarly to UK discounters, Intempo returned to growth in H2 FY 19.

Following its acquisition at the end of FY 18, the first Kleeneze sales were realised early in CY 19 and total sales in FY 19 amounted to £0.2 m.

Margins
The high increase in sales volume did not materially impact gross margin, which reduced slightly (30 bps) to 22.1 %, and gross profit increased by 39.1 %. Currency pressure continued to impact cost of sales, where the majority of product costs are denominated in US Dollars, and this was coupled with consumer pressure on our customers' retail price points. Mix changes continued to provide some mitigation against gross margin pressure with notably higher margin online sales increasing their share of sales (up 1.3 % to 9.2 %) and landed sales, which are also typically higher gross margin, (includes online sales) increasing from 47.8 % to 51.8 % of sales.

Against the 39.1 % increase in gross profit, productivity improvements helped to drive profitability as underlying overheads (excluding the share-based payment charges, depreciation and amortisation) increased to a lesser extent (+32.0 %), resulting in the Group's underlying EBITDA margin growing by 70 bps to 8.1 %.

Overheads
Administrative expenses, excluding share-based payment charges, increased by £4.5 m (32.7 %) to £18.1 m in FY 19. Of this increase, Underlying Overheads (excluding depreciation and amortisation) increased by £4.2 m. 'Resource costs' (essentially payroll costs plus temporary staff) are over 65 % of overheads and are the principal component of the increase in overheads. Contributors to the increase in resource costs include a 21 % increase in average headcount (including temporary agency staff, used to manage varying warehouse demand). Beyond the impact of sales volume on headcount and the investment in the international sales team over the course of the year, the developing changes to the revenue profile of the business have also had an influence. International growth has resulted in a more diverse customer base but it brings with it greater complexity and higher overheads. Similarly, online and other landed sales in general represent a higher share of sales in FY 19, both of which also require a higher overhead to serve compared to FOB, typically compensated by a higher gross margin as referred to above. Furthermore, as referred to in the Chief Executive's Review, a number of inflationary pressures on salary costs have had a notable impact and, in addition, the improved results have also led to increased performance-driven bonus costs.

The increase in depreciation and amortisation of £0.3 m included £0.1 m from having a full year's charge on the FY 18 capital expenditure incurred on completing the Heron Mill warehouse refurbishment, opening the Cologne showroom and a further £0.1 m was accelerated in anticipation of the planned improvements to the Manor Mill site.

Share-based Payment Charges
The non-cash, share-based payment charges relate to the Management Incentive Plan, introduced immediately prior to the IPO, and to the Save As You Earn ('SAYE') and Performance Share Plan ('PSP') share option schemes introduced during the year. 1,268,914 and 1,120,000 options were granted during the year under the SAYE and PSP schemes respectively, together amounting to 2.9 % of the Group's issued share capital, creating greater participation and ownership amongst our managers and colleagues. The charge amounted to £0.3 m (FY 18: £0.2 m) and these costs have been shown separately in the Income Statement to better reflect the performance of the underlying business.

Further information on the share option schemes and the charges thereon are set out in note 18 to the Financial Information

Interest
Finance costs were £0.3 m higher (+80.7 %) than FY 18, primarily due to the increased trading levels and the working capital requirements thereof. With the year-end net debt at £14.4 m, the monthly average over FY 19 was £12.6 m, an increase of £5.2 m over FY 18, compared to the corresponding increase in average net working capital of £8.4 m. Additionally, FY 19 saw both Sterling and US Dollar LIBOR increase early on in the year.

Taxation
The effective underlying tax rate is 20.5 % (FY 18: 20.3 %).

Balance Sheet and Cash Flow
The Group's balance sheet strengthened significantly over the year, with net assets increasing by £3.1 m to £11.8 m. The key points to note regarding the balance sheet and cash flow can be summarised as follows:

Overall, working capital increased by £5.0 m in FY 19 (+26.3 %) compared to the normalised revenue growth of 33.9 %. The increase in working capital was significantly lower than last year's increase of £8.3 m, which included a stepped increase in inventory (referred to below).

- Inventories increased by 23.9 % (+£3.9 m) in FY 19 compared to the increase in revenue of 40.8 %, although as FY 18 stock levels had already increased to reflect the change in supply arrangements from FOB to landed for a major European customer, the better comparative is the normalised revenue growth of 33.9 %. The increase is slightly higher for 'sold stock' purchased against a customer requirement, with 'free stock' levels up 21.7 % at £7.6 m.

- Trade and other receivables increased by £3.9 m (+26.6 %) compared to FY 18, of which the increase in trade receivables amounted to £4.3 m. Debtors days increased to 46 days (FY 18: 41 days) with the monthly range over FY 19 being between 42 and 52 days, varying according to customer mix.

- Trade and other payables are £2.9 m (+23.2 %) higher than last year, with trade payables £0.6 m (6.9 %) higher. Accruals increased by £2.3 m, substantially comprising of the increase in performance-related payroll costs and sales volume driven customer rebates.

Derivative financial instruments, largely comprising of an asset relating to the Group's forward foreign exchange contracts, have increased by £0.3 m. The net value of the asset and liability of the derivative financial instruments almost wholly corresponds to the hedging reserve at 31 July 2019.

The Current tax liability has increased by £0.4 m reflecting the increase in UK and foreign tax charges as reduced by the payments made on account.

The Employee Benefit Trust reserve represents the shares purchased by the UPGS EBT which was established on 2 August 2018. Over the course of the year, the trust purchased 3,308,307 Shares in the Group (representing 4.03 % of the Group's issued share capital) at a cost of £1.6 m. The Group intends to satisfy the exercise of share options awarded under the SAYE and PSP schemes, referred to above, through the shares held by the trust, without dilution to existing shareholders.

As set out in the table below, net cash from operations amounted to £3.8 m, an improvement of £5.9 m compared to FY 18 and this broadly flows through to the £2.5 m free cash inflow. This reflects the year's stronger trading results and a generally more normalised movement in working capital. The tax payments in FY 19 reflect a more typical profile compared to FY 18, which included the residual benefit of the EMI scheme corporation tax credits arising in FY 17.

	FY 19	**FY 18**
	£'m	**£'m**
Underlying EBITDA*	9.9	6.5
Changes in working capital	(5.0)	(8.3)
Tax paid	(1.3)	(0.2)
Other items	0.2	(0.1)
Net cash from operations	3.8	(2.1)
Net capital expenditure	(0.7)	(0.8)
Net interest paid	(0.6)	(0.3)
Free cash flow*	2.5	(3.2)

After the free cash flow of £2.5 m, dividends of £2.4 m were paid (FY 18: £3.6 m) and as referred to above, the UPGS EBT purchased Shares in the Group to the value of £1.6 m. Overall, this resulted in an increase in net bank debt of £1.6 m to £14.4 m, with the corresponding net debt/underlying EBITDA ratio reducing from 2.0 x to 1.5 x. Of the net bank debt, the net senior debt amounted to £1.6 m and the borrowings under the trade facilities were £12.8 m (FY 18: £1.8 m and £11.0 m respectively), with the trade facilities supported by underlying assets, net of trade creditors, of £29.0 m (FY 18: £21.4 m).

Financing and Going Concern

The Group is financed by a suite of trade and revolving credit facilities provided by HSBC Bank plc, further information on which is provided in note 16 to the Financial Information. As referred to further in note 16, on 1 October 2019 the Board was pleased to enter into a new five-year financing agreement with HSBC, providing long-term support for the future development of the business.

Over the course of the year, the Group has operated well within the covenants of the banking facilities and has maintained comfortable levels of funding headroom. Headroom at 31 July 2019 was £10.1 m (31 July 2018 – £9.1 m).

The Group's projections show that the Group will be able to operate within its existing banking facilities and covenants. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of these Financial Statements and, as such, has applied the going concern principle in preparing the Annual Report and Financial Statements.

Brexit

The UK's decision to leave the EU has resulted in considerable uncertainty regarding both the terms under which the UK withdraws from, and continues to trade long-term with, the EU. The following factors have been considered by the Board in assessing the potential impact of Brexit on the Group:

- A substantial majority of the Group's products are sourced from China under World Trade Organization ('WTO') trade rules and therefore do not currently benefit from an existing EU trade deal from which the UK would be withdrawing.

- Almost 50 % of the Group's sales are made on a FOB basis with delivery to the customer in the country of origin. The remainder, as Landed sales, are first imported into either the UK (being the majority) or directly into mainland Europe. With respect to the goods imported into the UK, these are mostly through ports which are not particularly used by UK/EU traffic and, therefore, any disruption at such ports is expected to be manageable.

- Less than 5 % of the Group's business is conducted over a UK/EU border.

- The Group maintains a foreign currency hedging policy and uses foreign exchange forward contracts to reduce the risk of volatility in revenue and cost of goods over the short-term.

- The impact of Brexit on the Group is largely limited to the potential adverse effect of a material devaluation in Sterling resulting from a 'no deal' Brexit and the consequences thereof on volume, margins and the wider business sentiment in the UK, a market to which the Group is significantly exposed.

The Board has incorporated the potential impact of Brexit into its assessment for the Viability Statement, specifically its impact on the UK economy. However, in the medium-to-long-term, the Board is confident in the adaptability of and resilience of the Group's business model and the strong clarity of proposition, as evidenced by the strong recovery in trading in FY 19 despite a challenging consumer and retail market.

The Board continues to monitor the Brexit process closely.

James McCarthy
Chairman

Simon Showman
Chief Executive Officer

Consolidated Income Statement

	Note	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Continuing Operations			
Revenue	*5*	123,257	87,571
Cost of sales		(96,013)	(67,979)
Gross profit		27,244	19,592
Administrative expenses before share-based payment charges		(18,106)	(13,647)
Profit from operations before share-based payment charges		9,138	5,945
Share-based payment charges	6	(257)	(192)
Administrative expenses		(18,363)	(13,839)
Profit from operations	*7*	8,881	5,753
Finance income		6	53
Finance costs		(692)	(383)
Profit before taxation		8,195	5,423
Income tax	8	(1,733)	(1,141)
Profit for the year		6,462	4,282

		Pence	Pence
Earnings per share – basic	9	8.1	5.2
Earnings per share – diluted	9	8.0	5.2

Consolidated Statement of Comprehensive Income

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Profit for the year	6,462	4,282
Other comprehensive income		
Items that may subsequently be reclassified to income statement:		
Fair value movements on cash flow hedging instruments	1,278	846
Hedging instruments recycled through the income statement at the end of hedging relationships	(846)	193
Items that will not be subsequently reclassified to income statement:		
Foreign currency retranslation	12	(4)
Other comprehensive income for the year	444	1,035
Total comprehensive income for the year attributable to the equity holders of the Group	6,906	5,317

Consolidated Statement of Financial Position

	Note	As at 31 July 2019 £'000	As at 31 July 2018 £'000
Assets			
Intangible assets	11	98	100
Property, plant and equipment	12	1,950	2,018
Deferred tax	13	73	107
Total non-current assets		2,121	2,225
Inventories		20,399	16,466
Trade and other receivables	14	18,724	14,791
Derivative financial instruments	17	1,335	985
Cash and cash equivalents		122	95
Total current assets		40,580	32,337
Total assets		42,701	34,562
Liabilities			
Trade and other payables	15	(15,434)	(12,531)
Derivative financial instruments	17	(54)	-
Current tax		(812)	(427)
Borrowings	16	(14,567)	(10,992)
Total current liabilities		(30,867)	(23,950)
Net current assets		9,713	8,387
Borrowings	16	-	(1,864)
Total non-current liabilities		-	(1,864)
Total liabilities		(30,867)	(25,814)
Net assets		11,834	8,748
Equity			
Share capital		205	205
Share premium		2	2
Employee Benefit Trust reserve		(1,649)	-
Share-based payment reserve		529	272
Hedging reserve		1,278	846
Retained earnings		11,469	7,423
Equity attributable to owners of the Group		11,834	8,748

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Employee Benefit Trust reserve £'000	Share-based payment reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total Equity £'000
As at 1 August 2017	205	2	-	-	(193)	6,779	6,793
Profit for the year	-	-	-	-	-	4,282	4,282
Foreign currency retranslation	-	-	-	-	-	(4)	(4)
Cash flow hedging movement	-	-	-	-	1,039	-	1,039
Total comprehensive income for the year	-	-	-	-	1,039	4,278	5,317
Transactions with shareholders:							
Dividends payable	-	-	-	-	-	(3,554)	(3,554)
Transfer	-	-	-	80	-	(80)	-
Share-based payments	-	-	-	192	-	-	192
As at 31 July 2018	205	2	-	272	846	7,423	8,748
Profit for the year	-	-	-	-	-	6,462	6,462
Foreign currency retranslation	-	-	-	-	-	12	12
Cash flow hedging movement	-	-	-	-	432	-	432
Total comprehensive income for the year	-	-	-	-	432	6,474	6,906
Transactions with shareholders:							
Dividends payable	-	-	-	-	-	(2,428)	(2,428)
Share-based payments	-	-	-	257	-	-	257
Purchase of own shares by the Employee Benefit Trust	-	-	(1,649)	-	-	-	(1,649)
As at 31 July 2019	205	2	(1,649)	529	1,278	11,469	11,834

Consolidated Statement of Cash Flows

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Net cash flow from operating activities		
Profit for the year	6,462	4,282
Adjustments for:		
Finance income	(6)	(53)
Finance costs	692	383
Income tax expense	1,733	1,141
Depreciation and impairment	779	525
Amortisation	11	2
Derivative financial instruments	132	(99)
Share-based payments	257	192
Income taxes paid	(1,314)	(178)
Working capital adjustments		
Increase in inventories	(3,932)	(5,402)
Increase in trade and other receivables	(3,933)	(3,063)
Increase in trade and other payables	2,907	215
Net cash from/(used in) operations	3,788	(2,055)
Cash flows used in investing activities		
Purchase of intangible assets	(9)	(102)
Purchase of property, plant and equipment	(711)	(829)
Finance income	6	53
Net cash used in investing activities	(714)	(878)
Cash flows used in financing activities		
Purchase of own shares by the Employee Benefit Trust	(1,649)	-
Proceeds from borrowings	2,091	9,052
Repayment of borrowings	(450)	(2,175)
Debt issue costs paid	-	(31)
Dividends paid	(2,428)	(3,554)
Interest paid	(615)	(355)
Net cash (used in)/ generated from finance activities	(3,051)	2,937
Net increase in cash and cash equivalents	23	4
Exchange gains in cash and cash equivalents	4	-
Cash and cash equivalents brought forward	95	91
Cash and cash equivalents carried forward	122	95

Notes to the Financial Information

1. General Information

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

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

This consolidated financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 July 2018 are an extract of the Company's statutory accounts for the year ended 31 July 2018, prepared in accordance with International Financial Reporting Standards (IFRS), approved by the Board of Directors on 5 November 2018 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 July 2019 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The Auditors have reported on those accounts; their report was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

2. Basis of Preparation

The consolidated Group Financial Statements and Company Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated Group Financial Statements and Company Financial Statements are presented in Sterling, generally rounded to the nearest thousand. The Financial Statements are prepared on the historical cost basis, except for certain financial instruments and share-based payments that have been measured at fair value.

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

Going Concern Basis

The Group meets its day-to-day working capital requirements through its bank facilities. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group's forecasts and projections, taking account of reasonable sensitivities, show that the Group should be able to operate within available facilities for at least twelve months from the date of approval of the Financial Statements. The Group therefore continues to adopt the going concern basis 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 2019.

Currencies

Presentational Currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Group operates which is Sterling (£).

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or at an average rate for a period if the rates do not fluctuate significantly. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Revenue Recognition and Rebates

Revenue is recognised on the satisfaction of each performance obligation as that obligation is satisfied.

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

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

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

Intangible Assets

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

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

Trademarks – 10 years

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Such assets acquired in a business combination are initially recognised at their fair value at acquisition date. Depreciation is charged so as to write off the costs of assets over their estimated useful lives, on a straight-line basis starting from the month they are first used, as follows:

Fixtures, fittings and equipment – 16–50 %
Motor vehicles – 25 %

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in profit or loss. At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment 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).

Investments

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

Employee Benefit Trust ('EBT')

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

Inventories

Inventories are valued using a first in, first out method and are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in the normal course of business in bringing the products to their present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell, and an impairment charge is recognised in the income statement. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

Income tax

The tax expense or credit represents the sum of the tax currently payable or recoverable and the movement in deferred tax assets and liabilities.

Current Income Tax

Current tax is based upon taxable income for the year and any adjustment to tax from previous years. Taxable income differs from net income in the income statement because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The calculation uses the latest tax rates for the year that have been enacted or substantively enacted by the dates of the Statement of Financial Position.

Deferred Tax

Deferred tax is calculated at the latest tax rates that have been substantively enacted by the reporting date that are expected to apply when settled. It is charged or credited in the Income Statement, except when it relates to items credited or charged directly to equity, in which case it is also dealt with in equity.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable income and is accounted for using the liability method. Deferred tax liabilities and assets are not discounted.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the asset can be utilised. Such assets are reduced to the extent that it is no longer probable that the asset can be utilised.

Deferred tax assets and liabilities are offset when there is a right to offset current tax assets and liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority, on either the same taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the term of the relevant lease.

Payroll Expense and Related Contributions

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Pension Costs

The Group operates a defined contribution pension scheme for employees. The annual contributions payable are charged to profit or loss.

Share-based Compensation

The Group issues share-based payments to certain employees and Directors. Equity-settled, share-based payments are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, along with a corresponding increase in equity. The incentives are offered to employees of subsidiary companies and as such the value of the share-based payments are shown as additions to investments in the parent company Financial Statements.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of any revision is recognised in profit or loss, with a corresponding adjustment to equity reserves.

The fair values of share options are determined using the Monte Carlo and Black Scholes models, taking into consideration the best estimate of the expected life of the option and the estimated number of shares that will eventually vest.

Dividends

Dividends are recognised as a liability and deducted from equity at the time they are declared. Otherwise dividends are disclosed if they have been proposed or declared after the year end and before the relevant Financial Statements are approved.

Financial Instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Trade and Other Receivables

Trade and other receivables, and amounts owed by Group undertakings, are classified at amortised cost and recognised initially at fair value and subsequently measured at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) less provisions for impairment. Provisions for impairment of trade receivables are recognised for expected lifetime credit losses using the simplified approach. Impairment reviews of other receivables, including those due from related parties, use the general approach whereby twelve month expected losses are provided for and lifetime credit losses are only recognised where there has been a significant increase in credit risk, by monitoring the creditworthiness of the other party.

Cash and Cash Equivalents

Cash and cash equivalents are held at amortised cost and consist of cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and Other Payables

Trade and other payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method. This method allocates interest expense over the relevant period by applying the ‘effective interest rate’ to the carrying amount of the liability.

Borrowings

Interest-bearing overdrafts and invoice discounting facilities are classified as other liabilities. They are initially recorded at fair value, which represents the fair value of the consideration received, net of any direct transaction costs associated with the relevant borrowings. Borrowings are subsequently stated at amortised cost and finance charges are charged to profit or loss over the term of the instrument using an effective rate of interest. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Classification as Debt or Equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Derivatives

Derivatives are initially recognised at the fair value on the date that the derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivatives are recognised in the income statement within finance costs or income as appropriate, unless they are included in a hedging arrangement. Derivatives are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Hedging Arrangements

The Group applies hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies. Forward foreign exchange contracts are held to manage exchange rate exposures and are designated as cash flow hedges of foreign currency exchange rates.

The Group also applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, which are deemed to be effective, are recognised directly in equity within a cash flow hedging reserve. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change of the fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the income statement.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. If a forecast transaction is no longer considered highly probable but the forecast transaction is still expected to occur, the cumulative gain or loss recognised in other comprehensive income is frozen and recognised in profit or loss. Subsequent changes in the fair value of the derivative are recognised in profit or loss. If, at any point, the hedged transaction is no longer expected to occur, the cumulative gain or loss is reclassified from the cash flow hedge reserve to profit or loss immediately.

The effective portion of gains and losses on derivatives used to manage cash flow interest rate risk are also recognised in other comprehensive income and accumulated in the cash flow hedge reserve. However, if the Group closes out its position early, the cumulative gains and losses recognised in other comprehensive income are frozen and reclassified from the cash flow hedge reserve to the profit or loss account. The ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognised in profit or loss within finance expense or finance income.

4. Operating Segments

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board. The Board is responsible for allocating resources and assessing performance of operating segments.

The Directors consider that there are no identifiable business segments that are subject to risks and returns that are different to those of the core business. The information reported to the Directors, for the purposes of resource allocation and assessment of performance, is based wholly upon the overall activities of the Group. The Group has therefore determined that it has only one reportable segment under IFRS 8.

The results and assets for this segment can be determined by reference to the Income Statement and Statement of Financial Position.

5. Revenue

Geographical Split by Location:

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
United Kingdom	74,751	63,535
Germany	11,846	3,550
Rest of Europe	34,659	18,546
USA	1,053	818
Rest of the World	948	1,122
Total	123,257	87,571
International sales	48,506	24,036
Percentage of total revenue	39.4 %	27.4 %

Analysis of Revenue by Brand:

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Beldray	32,292	21,459
Salter	20,884	13,849
Intempo	8,248	8,457
Russell Hobbs	9,368	6,914
Progress	4,095	3,210
Premier brands	74,887	53,889
Other key brands	26,020	12,554
Key brands total	100,907	66,443
Other brands and own label	22,350	21,128
Total	123,257	87,571

Analysis of Revenue by Major Products:

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Small domestic appliances	34,061	21,413
Audio	27,286	15,022
Housewares	26,768	20,771
Laundry	11,204	10,735
Heating and cooling	8,779	5,089
Luggage	5,113	3,718
Others	10,046	10,823
Total	123,257	87,571

Analysis of Revenue by Strategic Pillar:

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Discount retailers	64,605	45,769
Supermarkets	20,108	12,079
Online channels	11,357	6,959
	96,070	64,807
Multiple-store retailers	18,942	16,321
Other	8,245	6,443
Total	123,257	87,571

During the year, management have altered the strategic pillars that are presented to the Board of Directors to better reflect the attributes of the Group. The prior year comparative segmental information has been restated.

Included in revenue are sales to customers who individually account for over 10 % of the Group's total sales, and in total this amounted to approximately £42,882,000 being 2 customers (2018 – £34,257,000, being 2 customers). The prior year comparative has been restated (from £32,453,000, being 2 customers) such that the above amounts now relate to individual customers being considered at group level rather than entity level.

6. Share-based Payment Charges

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Share-based payment expense (note 18)	257	192
Total	257	192

The share-based payment expense relates to the non-cash charge arising on the Management Incentive Plan ('MIP'), the Save As You Earn ('SAYE') scheme and the Performance Share Plan ('PSP') as referred to in note 18.

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

7. Operating Expenses

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
The profit is stated after charging/(crediting) expenses as follows:		
Inventories recognised as an expense	87,125	61,678
Impairment of trade receivables	105	36
Impairment of inventories	594	(35)
Staff costs	11,916	8,732
Foreign exchange loss	129	62
Operating lease costs	944	775
Depreciation of owned property, plant and equipment	779	525
Amortisation	11	2
Other cost of sales and operating expenses	12,773	10,043
Total	114,376	81,818

8. Taxation

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Current tax		
Current period – UK corporation tax	1,494	1,003
Adjustments in respect of prior periods	(124)	(109)
Foreign current tax expense	329	192
Total current tax	1,699	1,086

Deferred tax		
Origination and reversal of temporary differences	14	35
Adjustments in respect of prior periods	20	13
Impact of change in tax rate	-	7
Total deferred tax	34	55

Total tax charge	1,733	1,141

Factors Affecting the Tax Charge

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

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Profit before tax	8,195	5,423
Tax charge at 19.0 % (2018 – 19.0 %)	1,557	1,030
Adjustments relating to underlying items:		
Adjustment to tax charge in respect of prior periods	(104)	(96)
Effects of expenses not deductible for tax purposes	59	55
Impact of overseas tax rates	174	112
Effect of difference in corporation tax and deferred tax rates	(2)	3
Adjustments relating to share-based payment charges:		
Effects of expenses not deductible for tax purposes	49	37
Total tax expense	1,733	1,141

Factors That May Affect Future Tax Charges

The main rate of corporation tax will be reduced to 17 % from 1 April 2020.

9. Earnings per Share

Basic earnings per share is calculated by dividing the net income for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

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

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

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Profit for the year	6,462	4,282

	Number	Number
Weighted average number of shares in issue	82,169,600	82,169,600
Less shares held by the UPGS EBT	(2,315,204)	-
Weighted average number of shares – basic	79,854,396	82,169,600
Share options	552,536	-
Weighted average number of shares – diluted	80,406,932	82,169,600

	Year Ended 31 July 2019	Year Ended 31 July 2018
	Pence	Pence
Earnings per share – basic	8.1	5.2
Earnings per share – diluted	8.0	5.2

10. Dividends

	Year Ended 31 July 2019	Year Ended 31 July 2018
	£'000	£'000
Final dividend paid in respect of the previous year	1,508	2,872
Interim declared and paid	920	682
	2,428	3,554

Per share	Pence	Pence
Final dividend paid in respect of the previous year	1.89	3.50
Interim declared and paid	1.16	0.83
	3.05	4.33

The interim dividend declared in the year ended 31 July 2019 of 1.16 p per share was approved by the board on 26 April 2019 and was paid on 26 July 2019 to shareholders on record as at 5 July 2019.

The Directors propose a final dividend of 2.925 p per share in respect of the year ended 31 July 2019. The dividend is due to be paid on 30 January 2020 to shareholders on record at 3 January 2020.

11. Intangible Assets

	Trademarks
Cost	**£'000**
As at 1 August 2017	-
Additions	102
As at 1 August 2018	102
Additions	9
As at 31 July 2019	111

Accumulated Amortisation	
As at 1 August 2017	-
Charge for the year	2
As at 1 August 2018	2
Charge for the year	11
As at 31 July 2019	13

Carrying Amount:	
As at 31 July 2019	98
As at 31 July 2018	100
As at 31 July 2017	-

Intangible assets relate to the Kleeneze trademark and associated costs relating to the Portobello trademark. The amortisation charge reflects the spreading of the cost over the assets' expected useful lives. The balance principally relates to the Kleeneze trademark, which has 8.8 years remaining. The amortisation charge for the year has been included in administrative expenses in the Income Statement.

12. Property, Plant and Equipment

Cost	**Fixtures, Fittings and Equipment £'000**	**Motor Vehicles £'000**	**Total £'000**
As at 1 August 2017	4,145	68	4,213
Additions	829	-	829
Disposals	(15)	-	(15)
As at 31 July 2018	4,959	68	5,027
Additions	711	-	711
Disposals	(919)	-	(919)
As at 31 July 2019	4,751	68	4,819
Accumulated Depreciation and Impairment Losses			
As at 1 August 2017	2,468	30	2,498
Charge for the year	513	12	525
Disposals	(14)	-	(14)
As at 31 July 2018	2,967	42	3,009
Charge for the year	767	12	779
Disposals	(919)	-	(919)
As at 31 July 2019	2,815	54	2,869
Carrying Amount:			
As at 31 July 2019	1,936	14	1,950
As at 31 July 2018	1,992	26	2,018
As at 31 July 2017	1,677	38	1,715

Included in property, plant and equipment are assets held outside of the UK with a carrying amount at 31 July 2019 of £282,000 (2018 – £302,000).

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

There is no residual value on any property, plant and equipment.

13. Deferred Tax

The deferred tax asset consists of the following timing differences:

	31 July 2019	31 July 2018
	£'000	£'000
Excess of depreciation over taxable allowances	54	75
Other temporary differences	19	32
	73	107

Movement in Deferred Tax in the Year

	31 July 2019	31 July 2018
	£'000	£'000
Balance brought forward	107	162
Movement arising in the year	(34)	(55)
Balance carried forward	73	107

The Directors consider that the deferred tax assets in respect of timing differences and depreciation in excess of capital allowances are recoverable based upon the forecast future taxable profits of the Group.

The Group has also unrecognised deferred tax assets of £548,000 (2018 – £616,000) in respect of losses carried forward.

14. Trade and Other Receivables

	31 July 2019	31 July 2018
	£'000	£'000
Trade receivables	17,807	13,510
Other receivables and prepayments	917	1,281
	18,724	14,791

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

These balances are subject to an assessment of expected credit losses (see note 17).

The Group maintains a high level of credit insurance on its trade receivables, averaging in excess of 95 % insured over FY 19 with the uninsured accounts closely monitored. Provisions are made on an item-by-item basis taking into account the level of insurance held. Trade and other receivables at 31 July 2019 are stated after provisions for impairment of £117,000 (2018 – £61,000).

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the reporting date but against which the Group has not recognised an expected credit loss because there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables at 31 July 2019 is 46 days (2018 – 41 days).

Ageing of Past Due but Not Impaired Receivables

	31 July 2019	31 July 2018
	£'000	£'000
Less than 1 month	2,912	1,695
1–2 months	105	137
2–3 months	116	73
Over 3 months	192	147
	3,325	2,052

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 concentration of credit risk is limited due to the customer base being large and unrelated.

Details of the Group's credit risk management policies are shown in note 17. The Group does not hold any collateral as security for its trade and other receivables.

Impairment losses recognised in relation to trade receivables were £105,000 at 31 July 2019 (2018 – £36,000).

The Group holds invoice discounting facilities, which are secured against the Group's trade receivables. Further information can be found in note 16.

15. Trade and Other Payables

	31 July 2019	31 July 2018
	£'000	£'000
Trade payables	9,202	8,610
Accruals	5,986	3,723
Other taxes and social security	246	198
	15,434	12,531

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

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

16. Borrowings

	31 July 2019	31 July 2018
	£'000	£'000
Current		
Invoice discounting	6,509	4,503
Import loans	6,339	6,530
Revolving credit facility	1,719	-
	14,567	11,033
Less: Unamortised debt issue costs	-	(41)
	14,567	10,992

	31 July 2019	31 July 2018
	£'000	**£'000**
Non-current		
Revolving credit facility	-	1,893
	-	1,893
Less: Unamortised debt issue costs	-	(29)
	-	1,864
Total borrowings	14,567	12,856
The earliest that the lenders of the above borrowings require repayment is as follows:		
In less than one year	14,567	11,033
Between one and two years	-	1,893
Less: Unamortised debt issue costs	-	(70)
	14,567	12,856

At 31 July 2019 the Group was funded by external banking facilities provided by HSBC, which ran to July 2020 and provided the ongoing funding of the Group. As set out in note 20, on 1 October 2019 the Group refinanced its facilities with HSBC under a five-year agreement to 2024. At 31 July 2019, the facilities comprised a revolving credit facility of £6.2 m, an invoice discounting facility of £17 m and an import loan facility of £8.7 m. The import loan facility is ancillary to the revolving credit facility, repayable on demand and subject to annual review. The new facilities comprise revolving credit facility of £8.2 m and an invoice discounting facility of £23.5 m, both running to 2024, together with an import loan facility of £8.7 m which continues to be repayable on demand and subject to annual review.

As at the balance sheet date, the revolving credit facility was due for renewal within one year and is therefore reported as a current liability. The refinancing will transfer this liability onto the new revolving credit facility which, as noted above, runs to 2024.

Current bank borrowings include a gross amount of £6,509,000 at 31 July 2019 (2018 – £4,503,000) due under invoice discounting facilities, which are secured by an assignment of and fixed charge over the trade debtors of UP Global Sourcing UK Limited. Furthermore, current bank borrowings include an amount of £6,339,000 at 31 July 2019, (2018 – £6,530,000) due under an import loan facility, which is secured by a general letter of pledge providing security over the stock purchases financed under that facility. Bank borrowings are secured in total by a fixed and floating charge over the assets of the Group.

At 31 July 2019 total bank borrowings are net of £Nil (2018 – £70,000) of fees which are being amortised over the length of the relevant facilities.

As the liabilities are at a floating rate and there has been no change in the credit worthiness of either of the counterparties, the Directors are of the view that the carrying amount approximates to the fair value.

Reconciliation of Liabilities Arising from Financing Activities

	At 1 August 2018	Cash flows	Non-cash changes	31 July 2019
	£'000	£'000	£'000	£'000
Invoice discounting	4,503	2,006	-	6,509
Import loans	6,530	(191)	-	6,339
Revolving credit facility	1,893	(174)	-	1,719
Less: unamortised debt issue costs	(70)	-	70	-
Total	12,856	1,641	70	14,567

17. Financial Instruments

Principal Financial Instruments

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

	31 July 2019	31 July 2018
	£'000	£'000
Trade receivables	17,807	13,510
Derivative financial instruments – assets	1,335	985
Trade and other payables	15,188	12,333
Derivative financial instruments – liabilities	54	-
Borrowings	14,567	12,856
Cash and cash equivalents	*122*	*95*

Financial Assets

The Group held the following financial assets at amortised cost:

	31 July 2019	31 July 2018
	£'000	£'000
Cash and cash equivalents	122	95
Trade receivables	17,807	13,510
	17,929	13,605

Impairment of Financial Assets

From 1 August 2019, the Group's financial assets subject to the expected credit loss model ('ECL') are trade receivables. The Group maintains a high level of credit insurance on its trade receivables (FY 19 average being over 95 %) 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 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.

	31 July 2019			31 July 2018		
	Up to 1 month past due £'000	Over 1 month past due £'000	Total £'000	Up to 1 month past due £'000	Over 1 month past due £'000	Total £'000
Gross carrying amount -						
Trade receivables (insured)	16,441	509	16,950	12,643	395	13,038
Expected credit loss	-	(113)	(113)	-	(58)	(58)
Net carrying amount	16,441	396	16,837	12,643	337	12,980
Gross carrying amount -						
Trade receivables (uninsured)	953	21	974	510	24	534
Expected credit loss	-	(4)	(4)	-	(4)	(4)
Net carrying amount	953	17	970	510	20	530
Gross carrying amount -						
Trade receivables (total)	17,394	530	17,924	13,153	419	13,572
Expected credit loss	-	(117)	(117)	-	(62)	(62)
Net carrying amount	17,394	413	17,807	13,153	357	13,510

The credit risk of Group undertakings is estimated based on the expected recoverable amount, taking into account the creditworthiness of the other party.

Financial Liabilities

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

	31 July 2019 £'000	31 July 2018 £'000
Trade payables	9,202	8,610
Loans	14,567	12,856
Other payables	5,986	3,723
	29,755	25,189

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:

	31 July 2019 £'000	31 July 2018 £'000
Derivative financial instruments – assets	1,335	985
Derivative financial instruments – liabilities	(54)	-
	1,281	985

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

	31 July 2019 £'000	31 July 2018 £'000
Forward currency contracts	1,240	935
Interest rate swaps	2	8
Interest rate caps	39	42
	1,281	985

Derivative Financial Instruments – Forward Contracts

The Group mitigates the exchange rate risk for certain foreign currency trade debtors and creditors by entering into forward currency contracts. At 31 July 2019, the Group was committed to buy $35,500,000 (2018 – $28,750,000), to sell €16,050,000 (2018 – €12,400,000), to sell CA $155,000 (2018 – $100,000) and to buy CNY 7,960,000 (2018 – CNY Nil), paying and receiving respectively fixed Sterling amounts. At 31 July 2019, all the outstanding USD, EUR and CAD contracts mature within 12 months of the period end (2018 – 12 months). The CNY contracts, which are held to hedge a lease commitment, mature over the length of that lease ending in August 2023. The forward currency contracts are measured at fair value using the relevant exchange rates for GBP:USD, GBP:EUR, GBP:CAD and GBP:CNY. The fair value of the contracts at 31 July 2019 is an asset of £1,240,000 (2018 – £935,000).

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 Chinese Yuan, 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 an asset of £1,277,000 (2018 – £838,000), 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 £1,257,000 within 12 months and £20,000 after 12 months (2018 – £838,000 within 12 months). The cash flows in respect of the forward contracts will occur over the course of the period to August 2023 in accordance with the expiry of the contracts as noted above.

Derivative Financial Instruments – Interest Rate Swaps and Interest Rate Caps

The Group has entered into interest rate swaps and interest rate caps to protect the exposure to interest rate movements on the various elements of the Group's banking facility. As at 31 July 2019, protection was in place over an aggregate principal of £11,970,000 (2018 – £11,600,000).

All interest rate swaps meet the conditions for hedge accounting, as set out in the accounting policies in note 3.

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

The fair value of variable to fixed interest rate swaps that are effective in offsetting the variable interest rate risk on variable rate debt is an asset of £2,000 (2018 – £8,000), 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 31 December 2019 and 31 December 2021. The cash flows in respect of the swaps occur monthly over the effective lifetime of the swaps.

The fair value of the interest rate caps was an asset of £39,000 (2018 – £42,000).

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

	31 July 2019	31 July 2018
	£'000	£'000
Trade receivables	17,807	13,510
Prepayments and other receivables not classified as financial instruments	917	1,281
Trade and other receivables (note 14)	18,724	14,791

	31 July 2019	31 July 2018
	£'000	£'000
Trade and other payables	15,188	12,333
Other taxes and social security not classified as financial instruments	246	198
Trade and other payables (note 15)	15,434	12,531

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

The consolidated financial information should be read in conjunction with the Group's Annual Report for the year ended 31 July 2019, as they do not include all financial risk information and disclosures contained within the Annual Report. There have been no changes in the risk management policies since the year end.

18. Share-based Payments

The Group had share option schemes in place during the years ended 31 July 2018 and 31 July 2019 as follows:

1. MIP Option Scheme – 2017

On 28 February 2017, immediately preceding the Company's listing on the main market of the London Stock Exchange, a Management Incentive Plan was adopted. The plan is structured as an award of A ordinary shares in UP Global Sourcing UK Limited ('Subsidiary Shares'). The rights attaching to the Subsidiary Shares include a put option with a three-year vesting period that can be exercised up to 7 years following the vesting date.

Exercise of the put option is subject to the share price of UP Global Sourcing Holdings Plc exceeding a hurdle set at a 30 % premium to the IPO price. At the point of exercise, the recipient will receive the value of the Subsidiary Shares in either cash or shares in UP Global Sourcing Holdings plc ('Plc Shares'), at the discretion of UP Global Sourcing Holdings plc, subject to a cap of 6.25 % of the issued share capital of UP Global Sourcing Holdings plc as at the date of the IPO.

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

	Number of shares under option 2019	Weighted average exercise price 2019	Number of shares under option 2018	Weighted average exercise price 2018
Outstanding at beginning of the year	-	-	2,258,735	-
Reduction in potential options due to adverse performance conditions	-	-	(2,258,735)	-
Outstanding at the end of the year	-	-	-	-

The reduction in potential options, due to adverse performance conditions, represents the fact that as at 31 July 2018 and 31 July 2019 the share price had not met the hurdle price referred to above and, as a result, no shares are currently under option.

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

The total expense recognised for the year ended 31 July 2019 relating to the MIP share-based payments was £192,000 (2018 – £192,000).

2. Save As You Earn ('SAYE') option scheme – 2019

On 13 February 2019, a SAYE scheme was introduced to the Group with all employees being able to participate in the scheme. This is a savings related scheme, where the employer deducts a fixed monthly amount from employees' salaries and after a period of 3 years (chosen by the majority of employees) or 5 years (chosen by a smaller number of employees), the employee can then purchase shares in UP Global Sourcing Holdings plc for a fixed exercise price. Employees can contribute anything from £10 to £250 per month to the scheme. The Remuneration Committee will consider making further invitations to participate in the scheme on an annual basis.

Upon the introduction of the scheme, options over 1,268,914 shares were granted to 95 employees.

	Number of shares under option 2019	Weighted average exercise price 2019	Number of shares under option 2018	Weighted average exercise price 2018
Outstanding at beginning of the year	-	-	-	-
Exercised during the year	-	-	-	-
Granted during the year	1,268,914	£0.4930	-	-
Outstanding at the end of the year	1,268,914	£0.4930	-	-

The weighted average contract length on the options in the SAYE scheme was 2.7 years (2018 – N/A).

The options were valued using the Black Scholes option pricing model and the total expense recognised for the year ended 31 July 2019, relating to SAYE share-based payments, was £26,000 (2018 – £Nil). The inputs to the Black Scholes model were as follows:

SAYE options at 31 July 2019	
Share price at date of grant	£0.4930
Fair value at the year end – 3 years	£0.2017
Fair value at the year end – 5 years	£0.2152
Exercise price	£0.3950
Time to expiry (years)	3 and 5
Risk-free rate (%) – 3 years	0.905
Risk-free rate (%) – 5 years	0.784
Volatility (%)	68.4
Dividend yield (%)	4.9
Employee retention rate (%)	70

Volatility is measured using a weekly share price for the 52 weeks prior to the date of grant.

The risk-free rate is derived using a 3 and 5 year gilt rate.

3. Performance Share Plan ('PSP') option scheme – 2019

On 11 March 2019, options were issued to certain members of management with performance conditions attached. The PSP allows for awards to be granted in various forms, and these options took the form of both tax-advantaged CSOP options and unapproved share options in order to maximise tax efficiency for the Company and employees whilst delivering, in effect, a nil cost option in line with the intention of the Remuneration Committee and standard market practice.

- A CSOP option was granted to all employees that were eligible (i.e. those other than the employees based overseas) ('the CSOP options').
- As CSOP shares can only be issued up to a maximum market value at the date of grant of £30,000, and in some cases a larger benefit was required, a top-up nil cost unapproved option was granted to certain employees.
- The intention of the Remuneration Committee was to grant awards with a nil exercise cost to the employee, however, under the CSOP scheme, the legislative requirements mean that these options must have an exercise price equal to the market value of a share at the date of grant. The Remuneration Committee therefore decided to issue additional options in a parallel scheme, which are classed as unapproved options. The aim of this scheme is to compensate employees for the exercise price of £0.5917 multiplied by the number of shares obtained by exercising the CSOP options. The number of shares to be exercised in this scheme will depend on the number of shares options that are exercised in the CSOP scheme and the market price of the shares at the date of exercise.

The calculation of the share-based payment charge for the above has treated each part of the scheme separately. The CSOP and top-up options have been calculated using the Black Scholes model using the assumptions listed below.

Due to the nature of the parallel options, they have been valued at the expected value that they are expected to give to the employee, which is the exercise price of £0.5917 multiplied by the number of options that are expected to be exercised.

	Number of shares under option 2019	Weighted average exercise price 2019	Number of shares under option 2018	Weighted average exercise price 2018
Outstanding at beginning of the year	-	-	-	-
Exercised during the year	-	-	-	-
Granted during the year	1,120,000	-	-	-
Outstanding at the end of the year	1,120,000	-	-	-

The weighted average contract length on the options in the PSP scheme was 3.9 years (2018 – N/A).

The options were valued using the Black Scholes option pricing model and the total expense recognised for the year ended 31 July 2019, relating to the PSP share-based payments, was £39,000 (2018 – £Nil). The inputs to the Black Scholes model were as follows:

CSOP options at 31 July 2019	
Share price at date of grant	£0.6140
Fair value at the year end – 3 years	£0.2178
Fair value at the year end – 4 years	£0.2326
Fair value at the year end – 5 years	£0.2414
Exercise price	£0.5917
Time to expiry (years)	3, 4 and 5 years
Risk-free rate (%) – 3 years	0.905
Risk-free rate (%) – 4 years	0.850
Risk-free rate (%) – 5 years	0.784
Volatility (%)	66.5
Dividend yield (%)	4.9
Employee retention rate (%)	83 % for employees in tiers 1 and 2
	80 % for other employees

Top-up options at 31 July 2019	
Share price at date of grant	£0.6140
Fair value at the year end – 3 years	£0.5294
Fair value at the year end – 4 years	£0.5039
Fair value at the year end – 5 years	£0.4796
Exercise price	Nil
Time to expiry (years)	3, 4 and 5 years
Risk-free rate (%) – 3 years	0.905
Risk-free rate (%) – 4 years	0.850
Risk-free rate (%) – 5 years	0.784
Volatility (%)	66.5
Dividend yield (%)	4.9
Employee retention rate (%)	83 % for employees in tiers 1 and 2
	80 % for other employees

Parallel options at 31 July 2019	
Share price at date of grant	£0.6140
Fair value	£0.5917
Exercise price	Nil
Time to expiry (years)	3, 4 and 5 years
Risk-free rate (%)	N/A
Volatility (%)	N/A
Dividend yield (%)	N/A
Employee retention rate (%)	83 % for employees in tiers 1 and 2
	80 % for other employees

For the CSOP options and the top-up options, volatility is measured using a weekly share price for the 52 weeks prior to the date of grant.

The risk-free rate is derived using a 3, 4 and 5 year gilt rate.

19. Related Party Transactions

Transactions and Balances with Related Companies and Businesses

	Year ended 31 July 2019 £'000	**Year ended 31 July 2018 £'000**
Transactions with related companies:		
Rent paid to Heron Mill Limited	285	285
Rent paid to Berbar Properties Limited	180	180

There were no outstanding balances with related companies or businesses at 31 July 2019 or 31 July 2018.

20. Post Balance Sheet Events

On 1 October 2019 the Group successfully refinanced its banking facilities under a five-year agreement with HSBC Bank plc.

Prior to the refinancing, the facilities consisted of a revolving credit facility ('RCF') of £6.2 m, an invoice discounting facility ('ID facility') of £17 m, and an import loan facility of £8.7 m.

As a result of the refinancing, the RCF and the ID Facility have been extended to 2024 and increased to £8.2 m (up £2.0 m) and £23.5 m (up £6.5 m) respectively.

The import loan facility remains at £8.7 m and, as before, is repayable on demand and subject to annual renewal.

21. Impact of New Accounting Standards not effective until the year ended 31 July 2020 – IFRS 16 leases.

IFRS 16 is effective for periods beginning on or after 1 January 2019 and will be reflected in the Group's financial statements for the year ended 31 July 2020.

The key sensitivity in the application of IFRS 16 for the Group is the determination of the discount rate. The discount rate applied to each lease reflects the borrowing rate of the Group at the time the lease was entered into.

Management have assessed the provisional impact of IFRS 16 on the results of the Group and have disclosed the relevant restated statement of comprehensive income and statement of financial position areas below.

Extract from the restated statement of comprehensive income for the year ended 31 July 2019

	Pre IFRS 16 £'000	Rental charges removed £'000	Depreciation charge increased £'000	Finance costs increased £'000	Post IFRS 16 £'000
EBITDA	9,671	792	-	-	10,463
Depreciation and amortisation	(790)	-	(732)	-	(1,522)
Profit from operations	8,881	792	(732)	-	8,941
Finance costs	(686)	-	-	(126)	(812)
Profit before taxation	8,195	792	(732)	(126)	8,129
Income tax	(1,733)	(150)	139	24	(1,720)
Profit for the period	6,462	642	(593)	(102)	6,409

Extract from the restated statement of financial position as at 31 July 2019

	Pre IFRS 16 £'000	Right of use asset £'000	Lease liability £'000	Other £'000	Post IFRS 16 £'000
Property, plant and equipment	1,950	3,043	-	-	4,993
Lease liability	-	-	(3,453)	-	(3,453)
Other receivables and payables	9,884	-	-	128	10,012
Net assets	11,834	3,043	(3,453)	128	11,552

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held at 2.00pm on 13 December 2019 at the Company's registered office, Manor Mill, Victoria Street, Oldham OL9 0DD.

GLOSSARY

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

'Audit and Risk Committee'	the audit and risk committee of the Board;
'B2C'	business to consumer;
'Board'	the board of Directors;
'CA$' or 'CAD' or 'Canadian Dollar	the lawful currency of Canada;
'CNY'	the lawful currency of China;
'Company' or **'Ultimate Products'**	UP Global Sourcing Holdings plc, a company incorporated in England and Wales with registered number 05432142;
'CY 19'	the calendar year 2019;
'Directors'	the Executive and Non-Executive Directors;
'EBITDA'	Earnings before interest, tax, depreciation and amortisation;
'EMI Scheme'	the Enterprise Management Incentive approved employee share scheme under which share options were granted in 2014;
'ETI Code of Conduct'	Ethical Trading Initiative code based on the conventions of the International Labour Organisation;
'Executive Directors'	Simon Showman, Andrew Gossage and Graham Screawn;
'FCA' or **'Financial Conduct Authority'**	the UK Financial Conduct Authority;
'Free Cash Flow'	net cash from operations less net capital expenditure (after deducting disposal proceeds) and less net interest paid in the year (after deducting interest received);
'Free on Board'or **'FOB'**	the free on board contractual arrangements pursuant to which goods are handed over to the Group's customers in the country of origin and are then imported into the UK and other territories by those same customers;
'FSMA'	the Financial Services and Markets Act 2000, as amended;
'FY 17'	the financial year for the Group for the 12 months ended 31 July 2017;
'FY 18'	the financial year for the Group for the 12 months ended 31 July 2018;
'FY 19'	the financial year for the Group for the 12 months ended 31 July 2019;
'FY 20'	the financial year for the Group for the 12 months ended 31 July 2020;
'FY 21'	the financial year for the Group for the 12 months ended 31 July 2021;
'FY 22'	the financial year for the Group for the 12 months ended 31 July 2022;
'H1'	the six-month period ended 31 January;
'H2'	the six-month period ended 31 July;
'Group'	the Company and its Subsidiaries from time to time;
'Independent Non-Executive Directors'	independent Non-Executive Directors of the Company, within the meaning of the UK Corporate Governance Code, being James McCarthy, Robbie Bell and Alan Rigby;

'IPO' or '**Initial Public Offering'**	the Group's admission to the premium segment of the Official List of the Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange plc on 6 March 2017;
'IPO Placing Price'	£1.28;
'Landed'	the Landed duty paid arrangements pursuant to which the Group imports goods into the UK;
'LFL'	like-for-like;
'Net Debt'	total borrowings excluding unamortised debt issue costs and less cash balances at the end of the financial year;
'Net Debt/Underlying EBITDA Ratio'	Net Debt at the end of the financial year divided by Underlying EBITDA for the same period;
'Nomination Committee'	the nomination committee of the Board;
'Non-Executive Directors'	James McCarthy, Barry Franks, Robbie Bell and Alan Rigby;
'Official List'	the Official List of the UK Listing Authority;
'PSP'	Performance Share Plan scheme;
'Q1'	the first quarter of the financial year;
'Q3'	the second quarter of the financial year;
'Q3'	the third quarter of the financial year;
'Q4'	the fourth quarter of the financial year;
'QA'	quality assurance;
'Remuneration Committee'	the Remuneration Committee of the Board;
'Remuneration Policy'	the proposed Remuneration Policy of the Board;
'SAYE'	Save As You Earn share scheme;
'SEDEX'	a not-for-profit membership organisation dedicated to driving improvements in responsible and ethical business practices in global supply chains;
'Sterling' or **'GBP'** or **'£'**	the lawful currency of the UK;
'Subsidiary'	has the meaning given to it in section 1159 of the Companies Act and includes group companies included in the consolidated Financial Statements of the Group from time to time;
'UK Listing Authority'	the FCA in its capacity as the competent authority for the purposes of Part VI of FSMA;
'Underlying Earnings Per Share'	Underlying Profit for the Year divided by the weighted average number of shares in issue for the year;
'Underlying EBITDA'	EBITDA after adding back the exceptional items and share- based payment charges;
'Underlying EBITDA Margin'	Underlying EBITDA divided by revenue for the same period, expressed as a percentage;
'Underlying Profit Before Tax'	profit before taxation after adding back the exceptional items and share-based payment charges;

'Underlying Profit for the Year'	profit for the year after adding back the after tax effect for the exceptional items and share-based payment charges;
'United Kingdom' or '**UK'**	the United Kingdom of Great Britain and Northern Ireland;
'UPGS EBT'	the UP Global Sourcing Employee Benefit Trust established to hold shares for the benefit of the Company's employees and to satisfy the vesting of awards under the Company's share schemes;
'US$' or **'USD'** or **'US Dollar**	the lawful currency of the United States of America.

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

Reconciliation of Underlying Performance Measures

	Year ended 31 July 2019 £'000	**Year ended 31 July 2018 £'000**
Profit from operations	8,881	5,753
Depreciation and amortisation	790	527
Gain on disposal	-	-
EBITDA	**9,671**	**6,280**
Exceptional items and share-based payment charges	257	192
Underlying EBITDA	**9,928**	**6,472**
Profit before taxation	*8,195*	*5,423*
Exceptional items and share-based payment charges	*257*	*192*
Underlying profit before tax	**8,452**	**5,615**
Profit for the year	6,462	4,282
Exceptional items and share-based payment charges	257	192
Tax on exceptional items and share- based payment charges	-	-
Underlying profit for the year	**6,719**	**4,474**
Underlying profit for the year	6,719	4,474
No of shares	82,169,600	82,169,600
Underlying earnings per share	**8.2 p**	**5.4 p**