3 November 2020

UP Global Sourcing Holdings plc

“Ultimate Products” or the “Group“

FULL YEAR RESULTS FOR THE YEAR ENDED 31 JULY 2020

A year of resilience and adaptability against an extremely challenging backdrop

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 2020.

Financial and Operational Highlights

- Total revenue decreased by 6.1% to £115.7 m (FY 19: £123.3 m), reflecting order cancellations and deferrals due to the COVID-19 pandemic - albeit offset by strong growth in sales to Supermarkets and Online channels
    - Online revenue up 47.2% to £16.7m (FY 19: £11.4 m), i.e. 14.5% of overall revenue (FY 19: 9.2 %)
    - Supermarket revenue up 39.9% to £28.1m (FY 19: £20.1m), i.e. 24.3% of overall revenue (FY 19: 16.3 %)
- Underlying EBITDA^ down 3.3% to £10.4 m (FY 19*: £10.7 m)
- Underlying Profit Before Tax^ down 2.7% to £8.2 m (FY 19*: £8.4 m)
- Profit Before Tax up 2.9% to £8.4 m (FY 19*: £8.1 m)
- Net Debt amounted to £3.8 m (FY 19: £14.4 m), with a Net Debt/Underlying EBITDA Ratio^ of 0.4 x (FY 19*: 1.3 x)
- Bank Facility Headroom of £21.3 m (FY 19: £10.1 m)
- Underlying Earnings Per Share^ down 2.5% to 7.9 p (FY 19*: 8.1 p)
- Repaid the £465,237 received under the Coronavirus Job Retention Scheme ("furlough scheme"), with all VAT and PAYE payments up to date having ceased using those deferral schemes
- Full year dividend down 3.2% to 3.955 p per share (FY 19: 4.085 p per share)
- Appointment of Jill Easterbrook and Christine Adshead as independent Non-Executive Directors post-year end

^ *Indicates a non-GAAP measure. Definitions of non-GAAP measures and relevant reconciliations of underlying performance measures, calculated after adding back share-based payment charges and other non-underlying items as referred to in note 7 to the Financial Information, are provided in the 'Glossary' section.*

* *Restated for the adoption of IFRS 16, Leases, as explained in note 22 to the Financial Information.*

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

“We are pleased to have delivered such a resilient performance amidst the unprecedented challenges brought about by COVID-19. Through a relentless focus on our strategy and the extraordinary commitment, professionalism and adaptability of our colleagues, our performance has substantially exceeded the expectations that we had at the beginning of the pandemic.

These results are another clear illustration of the strength of our business model and the importance of having a diversified customer base. Time and time again, we have also found that in difficult trading conditions, retailers require suppliers that can provide them with certainty through compelling value, quality and supply, which plays squarely to our strengths.

While the market conditions for general merchandise look set to remain challenging in the UK and Europe in the short-term, we remain confident in the long-term 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 37 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 250 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

COVID-19

Impact and Mitigating Actions

As the majority of the Group's products are sourced from China, the business saw significant disruption to its supply chain as that country was impacted first by the virus and its associated lockdowns. However, the disruption was handled extremely effectively by our supply chain teams in the UK and China with a minor impact, estimated at only £0.8 m, on FY 20 revenue.

As the virus moved to Europe, the Group then experienced significant demand side disruption with customers deferring or cancelling orders. This accelerated as lockdowns were imposed and non-essential stores were closed. The Group then undertook a range of financial and operational measures to protect the business and conserve cash. These included putting on hold all capital projects, ceasing

all discretionary expenditure, making use of the government's VAT deferral and Time to Pay initiatives, extending our bank facilities with HSBC and suspending the interim dividend.

Protecting Colleagues

From the beginning of the pandemic, our first priority has been the health and well-being of colleagues. We have and continue to do everything we can to ensure that they are given all of the support and assistance that they need. In accordance with government guidance, colleagues are working from home if they can. When this is not possible, there are a comprehensive range of safety measures in place in order to protect all colleagues working from the Group's sites.

Community

Ultimate Products is headquartered in Oldham, Greater Manchester and we are hugely proud to be part of that community as well as the other communities in which we operate. We take our role as a responsible and socially-engaged corporate citizen very seriously and have taken steps to help our local community as it deals with the fallout from the pandemic. Going into this crisis, Oldham already faced economic and social challenges with a significant proportion of its wards within the 20 % most deprived in England. COVID-19 has compounded these challenges but the response of the community has been remarkable which reflects the innate energy, decency and spirit of its people. We have been proud to play our part in these efforts which have been funded by salary waivers by the Board. We would recommend that all shareholders review the Environmental, Social & Governance section of the Annual Report and the Ultimate Products LinkedIn page to see in more detail the various initiatives with which the Group has been involved.

Furlough Monies

In August 2020 we announced our intention to repay the £465,237 received under the Coronavirus Job Retention Scheme ("furlough scheme"). This repayment has now been made in addition to bringing up to date, in July 2020, all VAT and PAYE payments which had been deferred under the government's VAT deferral and Time to Pay initiatives. This was made possible because the Group's profitability and cash generation have been stronger than expected during the crisis. Returning this money to the taxpayer was therefore the right thing to do and we are grateful to the government and the taxpayer for providing us with this support.

BUSINESS REVIEW

Strategy

The Group's strategy is to continually 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 resilient performance in FY 20, despite a challenging market for general merchandise during the current crisis, and continues to deliver into FY 21. The Board remains confident that this proven strategy will deliver sustainable growth in the future.

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 an outstanding team of committed and talented colleagues 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 through compelling value, quality and supply.

Performance

Trading

Despite the challenges of COVID-19, Group revenue only decreased by 6.1 % to £115.7 m (FY 19 – £123.3 m). Growth across the rest of the year was more than offset by the decline in revenues during the initial lockdown months of March 2020, April 2020 and May 2020 as non-essential stores closed and demand for general merchandise was muted in those that remained open. Overall revenues normalised during June 2020 and July 2020 as those non-essential stores re-opened and retailer purchasing re-started.

Profitability declined at a lower rate than the decline in revenue with Underlying EBITDA down 3.3 % to £10.4 m (FY 19* – £10.7 m) and Underlying Profit Before Tax down 2.7 % to £8.2 m (FY 19* – £8.4 m). This reflected strong cost control along with an improved gross margin as a result of changes to customer mix, for example, Online.

This performance exceeded even our best-case scenarios at the start of lockdown, when plausible worst-case scenarios predicted significant losses and operating cash outflows month on month. In the end, we remained profitable in every month and actually improved our cash position over this difficult period.

The main reasons for this better than expected performance were (1) while many of our retail customers did close, those who sold food typically stayed open and remained an outlet for us and (2) we saw a substantial increase in Online demand as the consumer remained at home and this channel became, for a period, their main option for buying general merchandise.

Our balance sheet remains very strong with the Group seeing a significant reduction in net bank debt, maintaining comfortable levels of headroom within its facilities and operating well within its banking covenants. The Group's financial strength and certainty in its long-term funding provides a sound platform for continued growth and the financial strength to take advantage of any appropriate opportunities.

Discounters

Sales to Discounters fell by £19.9 m or 30.8 %. This severe fall reflected the fact that Discount retailers were more likely to be closed as non-essential stores compared to other segments such as Supermarkets. In addition, we temporarily stopped supplying our largest German customer, also a Discounter, as its UK parent undertook a strategic review of and subsequently sold that business.

Supermarkets

Our brands continue to resonate well with the supermarket shopper both in the UK and increasingly in Europe. As a result, Supermarket revenue experienced robust growth, increasing by £8.0 m or 39.9 %, with the key drivers being the Salter and Beldray brands. This segment now accounts for 24.3 % of overall revenue. This represents substantial progress since FY 17 when its share was 14.2 % and we expect that Supermarkets will overtake Discounters in the next few years. This long-term growth in Supermarkets has been driven by improved consumer awareness and perception of our brands.

Online Platforms

The Online segment showed continued and substantial growth both in the UK and Europe, with revenue up £5.3 m or 47.2 % in FY 20. Online accounted for 14.5 % of overall revenue (FY 19 – 9.2 %) against a long-term target of 20 %+. During H2 FY 20, the Online share was even closer to this long-term objective at 18.8 % as growth accelerated during lockdown.

The momentum from FY 20 has continued into FY 21 with Online turnover to date significantly ahead of last year. Investment during H2 FY 20 in warehouse automation has also generated the additional capacity needed to meet this increased demand. In only a few years, Online has gone from a start-up to a substantial contributor to overall revenue and a key driver of growth.

International Retailers

After sustained and substantial growth in prior years, our international revenue declined by £6.9 m or 14.2 % in FY 20 as a consequence of non-essential store closures during lockdown and ceasing supply to our largest German customer as their UK parent undertook a strategic review and then sold that business.

We firmly believe that this is a temporary setback resulting from current circumstances and that the underlying prospects for our international business, mainly focused in Europe, remain strong. We are particularly excited about the opportunity in Germany where underlying growth in FY 20, excluding the effect of the customer above, was 43.7 % despite the impact of COVID-19.

Margin

Gross margin was up 0.9 % at 23.0 % (FY 19 – 22.1 %) as a result of a changing customer mix. Administrative expenses, before share-based payment charges and other non-underlying items, were broadly level but increased as a percentage of revenue on lower sales by 0.7 % to 15.3 % (FY 19* – 14.6 %). The net effect of these two factors was a small increase in our Underlying EBITDA Margin of 0.3 % to 9.0 % (FY 19* – 8.7 %).

Operational Overview

Product Development

During lockdown the Group continued to prioritise product development and our buying teams continued to source remotely with the help of our colleagues in Guangzhou. As a result, we went into the key Autumn/Winter 2020 season with a refreshed range that retailers have responded very positively to and which differentiates us from our competitors. In parallel, we kept our sales team in work and talking to our customers throughout the lockdown period, maintaining our key trading relationships in anticipation of when stores would re-open and buying recommence. This has provided a strong commercial platform as we move through FY 21 which is reflected in our healthy order book.

Brands

During FY 21, we plan to accelerate the development of our more recently acquired Progress and Kleeneze brands, with investments in their product ranges and marketing. Our objective over the next three years is to elevate their consumer prominence and revenue to levels currently seen by Salter and Beldray.

Operations

During CY 20, we planned 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. This has been deferred during the current crisis but we expect to return to this project during CY 21 albeit with some amendments to reflect the differing work patterns that have developed during lockdown.

Dividends

The Board has a long-established dividend policy of distributing 50 % of the Group's adjusted profit after tax. A final dividend is recommended of 2.795 p per share (FY 19 – 2.925 p) to give a total dividend of 3.955 p per share for the full year (FY 19 – 4.085 p).

The final dividend is payable on 29 January 2021 to shareholders on the register on 4 January 2021.

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 resilient trading during FY 20 despite a very challenging environment. 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 a good set of results for FY 20 through a relentless focus on our strategy and the talents of our colleagues.

While the conditions in the UK and Europe look set to remain challenging, with further lockdowns now announced, current trading is in line with expectations with the FY 21 order book ahead of this time last year. As such, the Board remains confident about the Group's future prospects.

FINANCIAL REVIEW

The results are presented having adopted IFRS 16 using the fully retrospective method with FY 19 restated, in line with indications given in note 32 of the FY 19 Annual Report.

COVID-19

The COVID-19 pandemic and lockdowns introduced over a large part of the world created an unprecedented challenge for the Group and exceptional uncertainty. The Board reacted quickly and decisively to protect our colleagues, the business and to conserve cash, putting in place measures to monitor the development of working capital, liquidity and other key financial metrics. The most significant actions taken included:

- suspending all non-essential capital projects;
- making use of the UK government's Time to Pay and VAT deferral schemes (subsequently repaid);
- initially furloughing 108 employees and claiming under the Coronavirus Job Retention Scheme ('CJRS') (subsequently repaid);
- suspending the interim dividend; and
- extending banking facilities with HSBC to support a plausible downside scenario.

The Board closely monitored performance against a range of scenarios that were prepared on lockdown with weekly update conference calls to consider financial and operational matters along with the health and well-being of our colleagues. Trading and financial performance exceeded our best-case scenario, reporting profits and lower net bank debt levels month on month (at no point drawing on the extended banking facilities) even to the extent of reporting a net positive cash position at the end of June. In July, all tax deferral schemes being utilised were brought to an end, with tax payments being brought up to date and the Board further discussed the repayment of furlough monies claimed under the CJRS. Later in August, the Board decided that, given the trading performance and the financial position and forecasts, the right and proper thing to do was to repay the CJRS claim.

With trading normalised, all external financial support ended, debt levels significantly reduced, high levels of headroom on bank facilities and supportive cautious forecasts, the Board then considered the suspended interim dividend. With all other stakeholders' positions back to normal, the Board recognised that our previously stated dividend policy was an important part of the investment decision for certain private and institutional shareholders and concluded that returning to a fully normalised position for all stakeholders was appropriate to promote the success of the Group for the benefit of all its members and stakeholders as a whole. Therefore, as announced on 7 September, an interim FY 20 dividend of 1.16 p per share was declared and the policy of distributing 50 % of the Group's adjusted profit after tax was re-instated. A final dividend of 2.795 p per share has been proposed for approval at the Annual General Meeting on 11 December 2020.

Overview

Given the COVID-19 challenges faced in the year, performance exceeded expectations, reporting relatively modest reductions in revenue and profitability, with improvements in margins and a strong reduction in net bank debt as set out in the table below.

	FY 20	**FY 19**	**Change**
Revenue (£'m)	115.7	123.3	-6.1 %
Gross margin	23.0 %	2.1 %	+90 bps
Underlying EBITDA (£'m)^	10.4	10.7	-3.3 %
Underlying EBITDA margin^	9.0 %	8.7 %	+30 bps
Underlying profit for the year (£'m) ^	6.5	6.7	-2.4 %
Profit for the year (£'m)	6.6	6.5	+3.2 %
Net cash generated from operations (£'m)	15.8	4.6	+£11.2 m
Free cash flow (£'m) ^	14.5	3.2	+£11.3 m
Net debt (£'m) ^	3.8	14.4	-£10.6 m
Net debt/Underlying EBITDA ratio^	0.4 x	1.3 x	-69.2 %
Underlying earnings per share (p) ^	7.9	8.1	-2.5 %

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 and other non-underlying items referred to in note 7 to the Financial Information and commented on below.

Revenue

In spite of the significant impact of the COVID-19 pandemic and resulting closure of non-essential stores, the decline in FY 20 revenue was only 6.1%, a reduction of £7.6 m to £115.7 m (FY 19 – £123.3 m). Our four largest divisions account for over 80 % of our sales, and whilst Small Domestic Appliances (‘SDA’), Housewares and Laundry all delivered growth over FY 20, the Audio division faced tough comparatives and was particularly impacted by store closures in both UK and Europe, along with, as reported in our Interim Statement, the relative decline in sales to a large European retailer after strong intake of additional lines in FY 19. In contrast to Audio, SDA and Housewares performed well over the year, with growth in H2 (of 7.7% and 11.1% respectively) supported by the strong performance of the Online channel and the increased popularity of home cooking.

The earlier Chief Executive’s Review comments further on the performance of our key pillars and the respective challenges and successes over FY 20. Whilst the increased share of sales of our Supermarket and Online segments may be challenged by some as being distorted by the impact of the pandemic and store closures, looking further at the results (with H2 growth of 33.2 % and 72.5 % respectively) supports our positive view of the performance and the development over recent years.

Brands

Our strategy is to focus on offering a portfolio of brands for mass-market, value-led consumer goods to enable us to become the leading supplier of quality homeware products. The summary of the Premier Brands, representing 70.0 % of total revenue (FY 19 – 60.8 %), is set out below:

	FY 20 £’m	FY 19 £’m	Change %
Beldray	32.8	32.3	+1.5
Salter	25.8	20.9	+23.7
Intempo	5.0	8.2	-38.8
Russell Hobbs	11.7	9.4	+25.3
Progress	4.4	4.1	+7.7
Kleeneze	1.2	0.2	+617.0
	80.9	75.1	+7.9

Overall growth in the Premier Brands significantly outperformed the Group as a whole, driven largely by the Supermarket and Online segments along with the above mentioned increased popularity of home cooking. As over approximately 60 % of Beldray revenue is derived outside these two segments, its overall result was heavily influenced by the performance of the other segments, including the impact of store closures therein.

Our proprietorial brands account for 54.0 % of total revenue, down from 60.5 % in FY 19, largely due to the Audio division (referred to above). The newest addition, Kleeneze (acquired in June 2018 at a cost of £102,000), has now progressed beyond the first significant milestone of £1m of sales. As referred to in the Chief Executive's report, our plans are now to accelerate the growth of Kleeneze and Progress (acquired July 2015) over the next three years to position them alongside Beldray and Salter, thereby increasing the share of sales for our owned brands.

Margins

Reported gross margin increased by 90 bps to 23.0 % and with the average US Dollar exchange rate relatively stable, changes in customer mix were the key contributors to this development in FY 20. Notably, Online sales, which achieve a higher gross margin, saw a strong increase in share of sales from 9.2 % to 14.5 %. This was coupled with a further increase in the share of landed sales (includes Online sales), which are also typically higher gross margin, increasing from 51.8 % to 60.8 % of sales.

The FY 20 cost of sales include an expense incurred in generating Online sales which was reclassified from administrative expenses to cost of sales to better reflect the underlying nature of the cost. The amount involved was £548,000 (FY 19 – £193,000) and had the prior year been adjusted FY 19 gross margin would have been 0.2 % lower.

Although revenue was 6.1 % lower than last year, the higher gross margin percentage partially mitigated the decline in gross profit to 2.4 %. However the growth in Online and other landed sales, whilst typically being at a higher gross margin, requires a higher cost to serve and this had an incremental impact on overheads. From the above mentioned 90 bps increase in gross margin, the less than proportionate reduction in underlying overheads (underlying administrative expenses excluding depreciation and amortisation) resulted in the Group's underlying EBITDA margin increasing by 30 bps to 9.0 %.

Overheads

Underlying administrative expenses reduced by £0.4 m (-2.0 %) to £17.7 m in FY 20, £0.2 m of which relates to the costs reclassified as cost of sales in FY 20, as referred to above.

'Resource costs' (essentially payroll costs plus temporary staff) remain our most significant cost accounting for over 65 % of overheads. The average number of employees increased by 9.1% to 289 and the most significant contributor of the increase was to support growth of Online sales and other landed sales, where higher gross margins are achieved but with a higher resource cost to serve. However, as a result of the COVID-19 pandemic, to protect the business and leave the Group well-placed to progress in the future, some reductions in headcount took place in the latter months such that total headcount at the end of the year was 271, compared to the average of 289. The incremental impact of the increase in the average number of employees, together with the incremental effect of salary increases awarded over the course of the FY 19 and prior to the COVID-19 lockdown were, however, compensated by a reduction in performance related bonus costs, such that overall resource costs were broadly level with the prior year.

Other overheads were £0.2 m lower than last year (after adjusting for the £0.2 m reclassified as above) reflecting the reversal of a £0.2 m increase in H1 as activities were curtailed due to the pandemic, particularly exhibition and travel costs.

Share-Based Payment Charges and Other Non-Underlying Items

As explained above, the Group initially took advantage of, and claimed, £0.5 m under the CJRS but subsequent to the year end, decided to repay the full amount claimed. Therefore, the credit to the Income Statement for the grant received in FY 20 will be reversed by a corresponding debit in FY 21.

This FY 20 credit and the non-cash, share-based payment charges have been shown separately in the Income Statement to better reflect the performance of the underlying business.

Interest

Finance costs were £0.1 m lower (-7.7 %) than FY 19. As commented above, working capital and, therefore, bank debt have reduced significantly during H2 with the year end net bank debt being £3.8 m (FY 19 – £14.4 m) and the average debt over FY 20 reducing by £3.3 m to £9.3 m. Ongoing arrangement and facility fees, along with costs for interest rate protection, have resulted in a less than pro rata "flow through" of the reduction in debt levels to the total cost.

Taxation

The effective underlying tax rate is 20.3 % (FY 19 – 20.5 %).

Balance Sheet and Cash Flow

The Group's balance sheet strengthened further over the year, with net assets increasing by £1.9 m to £13.4 m. The key points to note regarding the balance sheet and cash flow can be summarised as follows:

With substantially lower inventories and higher payables, working capital reduced by £6.9 m in FY 20 (-28.7 %), compared to a 6.1% reduction in revenue.

- Inventories reduced by 21.5 % (-£4.4 m) in FY 20. Increasing stock turn has been a focus area for the supply chain management team over the course of the year and continues to be. However, a more significant impact has been the accelerated growth of Online during lockdown, then coupled with strong demand for sales from stock as non-essential retailers re-opened, having not placed forward orders due to the inherent uncertainty over lockdown. The reduction in stock between 'sold stock' and 'free stock' was similar, with the latter amounting to £6.2 m at 31 July 2020 (31 July 2019 – £7.6 m).
- Trade and other receivables were broadly level with FY 19 as revenue normalised in June and July, and debtor days were broadly comparable - an increase of 3 days to 49 days, being in the middle of the range experienced in FY 20 which was from 38 to 61 days. The variation in debtor days was generally due to changes in customer mix, with the upper end of the range arising during lockdown with stores closed and some resulting customer payment delays, which had been cleared by the end of the year.
- Trade and other payables are £2.3 m (+15.2 %) higher than last year, with trade payables £1.6 m (17.0 %) higher as the Group continued to secure increased payment terms from factories in China. The increase in terms is supported by a balanced trading relationship, the Group's strong financial position and a delivered commitment to pay promptly.

Derivative financial instruments largely relate to the Group's forward foreign exchange contracts taken out under the Group's consistently applied hedging policy. At the end of FY 20, the total of the derivative financial instruments amounts to a liability of £1.3 m (FY 19 – an asset of £1.3 m) which is largely reflected in the hedging reserve at 31 July 2020 (similarly in FY 19).

The Current tax liability has reduced by £0.5 m to £0.3 m as changes to the UK corporation tax payments regime applied for FY 20 and tax payments on account are now required to be made wholly in the current period, whereas at 31 July 2019, approximately 50 % of the FY 19 UK liability remained outstanding.

The Employee Benefit Trust reserve represents the shares purchased by the UPGS EBT. Over the course of the year, the trust purchased 750,000 at a cost of £506,000 and it now holds 4,058,307 Shares in the Group (representing 4.94 % of the Group's issued share capital). The Group intends to satisfy the exercise of share options awarded under its SAYE and PSP schemes, 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 £15.8 m, an improvement of £11.2 m compared to FY 19 and this broadly flows through to the £14.5 m free cash inflow. This reflects the year's broadly similar EBITDA and a reduction in working capital. The tax payments in FY 20 reflect 1½ years of UK corporation tax due to the changes in the timing of instalments as noted above.

	FY 20	**FY 19**
	£'m	**£'m**
EBITDA^	10.6	10.5
Changes in working capital	6.9	(4.9)
Tax paid	(2.3)	(1.3)
Other items	0.6	0.3
Net cash from operations	15.8	4.6
Net capital expenditure	(0.6)	(0.7)
Net interest paid	(0.7)	(0.7)
Free cash flow^	14.5	3.2

After the free cash flow of £14.5 m, the significant other cash movements included: -

- dividends of £2.3 m were paid (FY 19 – £2.4 m);
- the UPGS EBT purchased Shares in the Group to the value of £0.5 m; and
- the capital element of IFRS16 lease obligations amounted to £0.8 m.

Overall, this resulted in a reduction in net bank debt of £10.6 m to £3.8 m, with the corresponding net debt/underlying EBITDA ratio reducing from 1.3 x to 0.4 x. At 31 July 2020 the Group reports being in a strong financial position with cash balances of £0.3 m, senior debt of £0.2 m and borrowings under the trade facilities of £3.9 m (FY 19 – £12.8 m), the latter being supported by underlying net trading assets of £23.3 m (FY 19 – £29.0 m). Headroom on the Group's bank facilities amounted to £21.3 m, which includes a remaining £3.0 m from the additional temporary facility put in place as protection against the uncertainty that arose with the pandemic.

Financing and Going Concern

The Group's financing is supported by a suite of trade and revolving credit facilities provided by HSBC Bank plc, further information on which is provided in note 17 to the Financial Information. As reported last year, 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. As referred to above and also set out in note 17, on 7 May 2020 as a protective measure against the uncertainty of COVID-19, the Group increased the revolving credit facility with HSBC on a reducing basis to 31 January 2021.

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 2020 was £21.3 m (31 July 2019 – £10.1 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

Following the UK's departure from the EU in January 2020, there remains a lack of clarity around future trading arrangements after the transition period. The eventual outcome could potentially result in border disruption, increased costs arising from trade tariffs and currency fluctuations, and a general fall in consumer demand. 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 the Far East 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. The resultant impact of any potential trade tariffs upon purchases is therefore expected to be modest.
- Only a small proportion of the Group's international sales are conducted over a UK/EU border. Approximately 50 % of the Group's sales are made on either an FOB basis, with delivery to the customer in the country of origin, or on a direct delivery basis, with delivery from the country of origin to the customer's destination country.
- 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.
- 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 value and service offering to its customers, as evidenced by the good set of results delivered in FY 20 in spite of exceptional conditions.

The Board continues to closely monitor Brexit developments.

James McCarthy
Chairman

Simon Showman
Chief Executive Officer

Consolidated Income Statement

	Note	Year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated*) £'000
Continuing Operations			
Revenue	6	115,684	123,257
Cost of sales		(89,084)	(96,013)
Gross profit		26,600	27,244
Underlying administrative expenses		(17,684)	(18,047)
Underlying profit from operations		8,916	9,197
Share-based payment charges and other non-underlying items	7	199	(257)
Administrative expenses		(17,485)	(18,304)
Profit from operations	8	9,115	8,940
Finance income	9	-	6
Finance costs	9	(753)	(816)
Profit before taxation		8,362	8,130
Income tax	10	(1,747)	(1,720)
Profit for the year		6,615	6,410
		Pence	Pence
Earnings per share – basic	11	8.4	8.0
Earnings per share – diluted	11	8.3	8.0

*Restated for the adoption of IFRS 16 as explained in note 22

Consolidated Statement of Comprehensive Income

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated*) £'000
Profit for the year	6,615	6,410
Other comprehensive income		
Items that may subsequently be reclassified to the income statement:		
Fair value movements on cash flow hedging instruments	(961)	1,238
Hedging instruments recycled through the income statement at the end of hedging relationships	(1,238)	(846)
Items that will not subsequently be reclassified to the income statement:		
Foreign currency retranslation	(8)	12
Other comprehensive income for the year	(2,207)	404
Total comprehensive income for the year attributable to the equity holders of the company	4,408	6,814

*Restated for the adoption of IFRS 16 as explained in note 22

Consolidated Statement of Financial Position

	Note	As at 31 July 2020 £'000	As at 31 July 2019 (restated*) £'000	As at 1 August 2018 (restated*) £'000
Assets				
Intangible assets	13	86	98	100
Property, plant and equipment	14	5,065	4,993	5,089
Deferred tax		106	130	151
Total non-current assets		5,257	5,221	5,340
Inventories		16,022	20,399	16,466
Trade and other receivables	15	18,495	18,644	14,711
Derivative financial instruments	19	53	1,335	985
Cash and cash equivalents		329	122	95
Total current assets		34,899	40,500	32,257
Total assets		40,156	45,721	37,597
Liabilities				
Trade and other payables	16	(17,614)	(15,284)	(12,340)
Derivative financial instruments	19	(1,342)	(54)	-
Current tax		(280)	(812)	(427)
Borrowings	17	(3,903)	(14,567)	(10,992)
Lease liabilities	18	(710)	(793)	(771)
Total current liabilities		(23,849)	(31,510)	(24,530)
Net current assets		11,050	8,990	7,727
Borrowings	17	(89)	-	(1,864)
Lease liabilities	18	(2,804)	(2,659)	(2,645)
Total non-current liabilities		(2,893)	(2,659)	(4,509)
Total liabilities		(26,742)	(34,169)	(29,039)
Net assets		13,414	11,552	8,558
Equity				
Share capital		205	205	205
Share premium		2	2	2
Employee Benefit Trust reserve		(2,155)	(1,649)	-
Share-based payment reserve		796	529	272
Hedging reserve		(961)	1,238	846
Retained earnings		15,527	11,227	7,233
Equity attributable to owners of the Group		13,414	11,552	8,558

*Restated for the adoption of IFRS 16 as explained in note 22

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 2018 (as previously reported)	205	2	-	272	846	7,423	8,748
Cumulative adjustment to opening balances from the adoption of IFRS 16	-	-	-	-	-	(190)	(190)
As at 1 August 2018 (restated*)	**205**	**2**	**-**	**272**	**846**	**7,233**	**8,558**
Profit for the year	-	-	-	-	-	6,410	6,410
Foreign currency retranslation	-	-	-	-	-	12	12
Cash flow hedging movement	-	-	-	-	392	-	392
Total comprehensive income for the year	-	-	-	-	392	6,422	6,814
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 (restated*)	**205**	**2**	**(1,649)**	**529**	**1,238**	**11,227**	**11,552**
Profit for the year	-	-	-	-	-	6,615	6,615
Foreign currency retranslation	-	-	-	-	-	(8)	(8)
Cash flow hedging movement	-	-	-	-	(2,199)	-	(2,199)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(2,199)**	**6,607**	**4,408**
Transactions with shareholders:							
Dividends payable	-	-	-	-	-	(2,307)	(2,307)
Share-based payments	-	-	-	267	-	-	267
Purchase of own shares by the Employee Benefit Trust	-	-	(506)	-	-	-	(506)
As at 31 July 2020	**205**	**2**	**(2,155)**	**796**	**(961)**	**15,527**	**13,414**

*Restated for the adoption of IFRS 16 as explained in note 22

Consolidated Statement of Cash Flows

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated*) £'000
Net cash flow from operating activities		
Profit for the year	6,615	6,410
Adjustments for:		
Finance income	-	(6)
Finance costs	753	816
Income tax expense	1,747	1,720
Depreciation and impairment	1,417	1,512
Amortisation	12	11
Loss on disposal of non-current asset	18	-
Derivative financial instruments	324	132
Share-based payments	267	257
Income taxes paid	(2,255)	(1,314)
Working capital adjustments		
Decrease/(increase) in inventories	4,377	(3,932)
Decrease/(increase) in trade and other receivables	150	(3,933)
Increase in trade and other payables	2,339	2,947
Net cash from operations	15,764	4,620
Cash flows used in investing activities		
Purchase of intangible assets	-	(9)
Purchase of property, plant and equipment	(601)	(711)
Proceeds from the sale of property, plant and equipment	12	18
Finance income	-	6
Net cash used in investing activities	(589)	(696)
Cash flows used in financing activities		
Purchase of own shares	(506)	(1,649)
Proceeds from borrowings	-	2,091
Repayment of borrowings	(10,439)	(450)
Principal paid on lease obligations	(773)	(763)
Debt issue costs paid	(240)	-
Dividends paid	(2,307)	(2,428)
Interest paid	(698)	(702)
Net cash used in finance activities	(14,963)	(3,901)
Net increase in cash and cash equivalents	212	23
Exchange (losses)/gains on cash and cash equivalents	(5)	4
Cash and cash equivalents brought forward	122	95
Cash and cash equivalents carried forward	329	122

*Restated for the adoption of IFRS 16 as explained in note 33

Notes to the Financial Information

1. General Information

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

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

This consolidated financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 July 2019 are an extract of the Company's statutory accounts for the year ended 31 July 2019, as restated for the adoption of IFRS 16, Leases, as explained in note 22 to the Financial Information, prepared in accordance with International Financial Reporting Standards (IFRS), approved by the Board of Directors on 4 November 2019 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 2020 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 and rounded to the nearest thousand unless otherwise indicated. The Financial Statements are prepared on the historical cost basis, except for certain financial instruments and share-based payments that have been measured at fair value.

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

Going Concern Basis

The Group meets its day-to-day working capital requirements through its bank facilities which are subject to various facility limits and covenants. The Directors have considered the principal risks faced by the business and assessed the impact of a severe but plausible downside scenario, including the impact of a further extensive and prolonged lockdown as a result of COVID-19, having regard to the experiences from the initial period of lockdown earlier this year. In assessing whether the Group could withstand such negative impacts, the Board has considered cash flow, impact on debt covenants and headroom against its current borrowing facilities. The Group's projections show that the Group will be able to operate within its existing banking facilities and covenants. Therefore, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of these Financial Statements and, as a result, they have applied the going concern principle in preparing its consolidated and Company Financial Statements.

Further information on the assumptions and judgements used in the going concern assessment is included in note 4.

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 2020.

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 at a point in time on the satisfaction of each performance obligation as that obligation is satisfied.

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

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

The Group has rebate agreements in place with certain customers. The rebates are treated as variable consideration and are recognised at the point of sale as a deduction from revenue. Where the calculation of variable consideration including rebates and contributions involves estimation, the expected charge is calculated based on past history of claims and expected revenue over the rebate contract term. Revenue is only recognised to the extent that 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 %

Right of use assets – shorter of the lease term or the useful life of the underlying asset

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.

Impairment of Intangible Assets And Property, Plant and Equipment

At each reporting end date, the Group reviews the carrying amounts of its intangible and tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased

carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Investments

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

Employee Benefit Trust ('EBT')

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

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.

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. These assets are held to collect contractual cash flows being solely the payments of the principal amount and interest. Provisions for impairment of trade receivables are recognised for expected lifetime credit losses using the simplified approach. Impairment reviews of other receivables, including those due from related parties, use the general approach whereby 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.

Leases

The Group assesses whether a contract is, or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

The Group as a lessee:

A right-of-use asset and corresponding lease liability are recognised at commencement of the lease. The lease liability is measured at the present value of the lease payments, discounted at the lessee's incremental borrowing rate specific to the term, country, currency and start date of each lease. Lease payments include: fixed payments; variable lease payments dependent on an index or rate, initially measured using the index or rate at commencement; the exercise price under a purchase option if the Group is reasonably certain to exercise; penalties for early termination if the lease term reflects the Group exercising a break option; and payments in an optional renewal period if the Group is reasonably certain to exercise an extension option or not exercise a break option.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured, with a corresponding adjustment to the right-of-use asset, when there is a change in future lease payments resulting from a rent review, change in an index or rate such as

inflation, or change in the Group's assessment of whether it is reasonably certain to exercise a purchase or extension option or not exercise a break option.

The right-of-use asset is initially measured at cost, comprising: the initial lease liability; any lease payments already made less any lease incentives received; initial direct costs; and any dilapidation or restoration costs. The right-of-use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. At each reporting date, the Group reviews the carrying amounts of its right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification. If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy. In all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of use asset being adjusted by the same amount. If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Leases of low value assets and short-term leases of 12 months or less are expensed to the income statement, as are variable payments dependent on performance or usage, 'out of contract' payments and non-lease service components.

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. Critical Accounting Estimates And Judgements

The preparation of these Financial Statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at each Statement of Financial Position date and the reported results. Actual results could differ from these estimates. Information about such judgements and estimations is contained in individual accounting policies.

Accounting Estimates

The key sources of estimation uncertainty, that could cause an adjustment to be required to the carrying amount of an asset or liability within the next accounting period, are outlined below:

Inventory Provisioning

The Group sources, imports and sells products across a range of categories including small domestic appliances, audio, laundry, housewares, heating and cooling and luggage, and is subject to changing consumer demands and trends. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods. The carrying amount of inventory provisions at the balance sheet date is £349,000 (2019 – £379,000).

Customer Rebates

The Group makes estimates of the amounts likely to be paid to customers in respect of rebate arrangements. When making these estimates, management takes account of contractual customer

terms, as well as estimates of likely sales volumes, to determine the rates at which rebates should be accrued in the Financial Statements. The carrying amount of rebate accruals at the balance sheet date is £2,106,000 (2019 – £1,616,000).

Valuation of Derivatives Held at Fair Value Through Profit or Loss

In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third-party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The carrying amounts of derivatives at the balance sheet date are disclosed in note 19.

Share-Based Payments

Management Incentive Plan

The Management Incentive Plan ('MIP') was adopted on 28 February 2017 and takes the form of awards of A ordinary shares in UP Global Sourcing UK Limited ('Subsidiary Shares') which may, upon exercise of a put option, be converted into cash or shares in UP Global Sourcing Holdings plc ('Plc Shares'). 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.

An assumption is required as to whether the recipient will receive either cash or Plc Shares and the assumption has been made that the recipient will receive Plc shares. If the assumption was made that the recipient was to receive cash, then the fair value of the Subsidiary Shares would be continually remeasured and an accrual would be included on the Statement of Financial Position.

Save As You Earn Scheme

The Save As You Earn ('SAYE') scheme was introduced on 11 February 2019 and 95 employees purchased 1,268,914 options. The options have vesting periods of 3 and 5 years. Key estimates included in the share-based payment charge include an employee retention rate of 70.0 %, a dividend yield rate of 4.9 % and volatility of 68.4 %.

The estimate with the largest potential impact is the employee retention rate. If this rate was to increase by 5 % then the charge would increase by £13,000.

Performance Share Plan

The Performance Share Plan ('PSP') was introduced on 11 March 2019 and issued 1,120,000 share options to 21 members of management. The options have vesting periods of 3, 4 and 5 years and have various performance conditions. Key estimates included in the share-based payment charge include an employee retention rate of 83 % for some employees and 80 % for others, a dividend yield rate of 4.9 % and volatility of 66.5 %.

The estimate with the largest potential impact is the employee retention rate. If the rate were to increase by 5 % then the charge would increase by £23,000.

Discount Rate for Leases

The discount rate used to calculate the lease liability is the incremental borrowing rate which is determined at the lease commencement date with consideration to the term, country and currency of the lease. The incremental borrowing rate is determined based on the entities' existing borrowing

rates. Management have performed a sensitivity analysis on the rate used and note that decreasing or increasing the rate by 1% will not have a material impact on the financial statements.

Accounting Judgements

The key accounting judgements used in the preparation of the Financial Statements are as follows:

Determination of Lease Term

Management exercises judgement in determining the likelihood of exercising break or extension options in determining the lease term. Break and extension options are included to provide operational flexibility should the economic outlook for an asset be different to expectations, and hence at commencement of the lease, break or extension options are not typically considered reasonably certain to be exercised, unless there is a valid business reason otherwise.

Recognition of Deferred Tax Assets

The extent to which deferred tax assets can be recognised is based upon an assessment of the probability that future taxable income will be available, against which the deductible temporary differences and tax loss carry forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties.

Going Concern

The Directors have adopted the going concern basis in preparing these accounts after assessing the principal risks and having considered the impact of a severe but plausible downside scenario, including a further extensive and prolonged lockdown as a result of COVID-19, recognising the lockdowns announced in the UK and Europe just prior to approving this Annual Report. The Directors considered the impact of the current COVID-19 environment and other principal risks on the business for the next 12 months and the longer-term viability period. Whilst the situation evolves daily, we have considered a number of impacts on sales, profits and cash flows, taking into account experiences from the initial period of lockdown earlier in the year. Then, our distribution centres remained open, operating under strict health and safety protocols in line with government guidance, and we continued to serve our Online channel along with the “essential” bricks and mortar customers who remained open in the UK and internationally.

We have assumed that our distribution centre operations remain open and that we will continue to be able to sell our products through our Online channel and to “essential” customers who remain open. Whilst the virus may impact across many functions of the business from supply chain to the ability of our retail customers to sell to consumers, it would most likely manifest itself in lower sales volumes and require further consideration of actions in relation to operational cost reductions. During lockdown earlier in the year, the Group took advantage of the Coronavirus Job Retention Scheme (“CJRS”) and the various “Time to Pay” initiatives offered to defer tax liabilities, along with adding a temporary increase to the revolving credit facilities as referred to in note 17. All Time to Pay deferrals had been repaid by the end of the financial year and as referred to in note 21, the Group repaid in full the amounts claimed under the CJRS after the year end.

The Directors have considered the resilience of the Group in severe but plausible scenarios, taking account of its current position and prospects, the principal risks facing the business, including those relating to COVID-19, how these are managed and the impact that they would have on the forecast financial position. In assessing whether the Group could withstand such negative impacts, the Board has considered cash flow, impact on debt covenants and headroom against its current borrowing facilities. The Group’s projections show that the Group will be able to operate within its existing banking facilities and covenants. Therefore, the Directors have a reasonable expectation that the

Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of these Financial Statements and, as a result, they have applied the going concern principle in preparing its consolidated and Company Financial Statements.

5. 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.

6. Revenue

Geographical Split by Location:

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
United Kingdom	74,045	74,751
Germany	10,951	11,846
Rest of Europe	29,716	34,659
USA	403	1,053
Rest of the World	569	948
Total	115,684	123,257
International sales	41,639	48,506
Percentage of total revenue	36.0 %	39.4 %

Analysis of Revenue by Brand:

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated[v]) £'000
Beldray	32,762	32,292
Salter	25,834	20,884
Russell Hobbs	11,741	9,368
Intempo	5,049	8,248
Progress	4,410	4,095
Kleeneze	1,183	165
Premier brands	80,979	75,052
Other key brands	16,639	26,020
Key brands total	97,618	101,072
Other brands and own label	18,066	22,185
Total	115,684	123,257

[v] During the year, the Group reclassified the Kleeneze brand as a "Premier Brand". The prior year comparative information has been restated.

Analysis of Revenue by Major Products:

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Small domestic appliances	38,667	34,061
Housewares	28,210	26,768
Audio	17,067	27,286
Laundry	12,287	11,204
Heating and cooling	6,342	8,779
Luggage	4,052	5,113
Others	9,059	10,046
Total	115,684	123,257

Analysis of Revenue by Strategic Pillar:

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Discount retailers	44,685	64,605
Supermarkets	28,126	20,108
Online channels	16,719	11,357
	89,530	96,070
Multiple-store retailers	15,010	18,942
Other	11,144	8,245
Total	115,684	123,257

Included in revenue are sales of £30,136,000 (2019: £42,882,000) to the Group's largest two customers.

7. Share-Based Payment Charges and Other Non-Underlying Items

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Share-based payment expense	267	57
Coronavirus Job Retention Scheme credit	(466)	-
Total	(199)	257

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').

During the year, the Group claimed £466,000 under the Government's Coronavirus Job Retention Scheme. As explained in Note 21, Post Balance Sheet Events, the Group took the decision to repay this amount after the year end.

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

8. Operating Expenses

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated*) £'000
The profit is stated after charging/(crediting) expenses as follows:		
Inventories recognised as an expense	78,219	87,125
Impairment of trade receivables	168	105
Impairment of inventories	750	594
Staff costs	11,748	11,916
Foreign exchange (gain)/loss	(418)	129
Operating lease costs on short term and low value leases	95	85
Loss on disposal of fixed asset	18	-
Depreciation of owned property, plant and equipment	705	779
Depreciation of right of use assets	712	733
Amortisation of intangible assets	12	11
Other cost of sales and operating expenses	14,560	12,840
Total	106,569	114,317

9. Finance Income and Costs

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated*) £'000
Finance Costs		
Interest on bank loans and overdrafts	511	617
Interest on lease liabilities	87	87
Foreign exchange in respect of lease liabilities (net of hedging actions)	(25)	37
Other interest payable and similar charges	180	75
Total	**753**	816

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated*) £'000
Finance Income		
Interest income on financial assets measured at amortised cost	-	6
Total	**-**	6

10. Taxation

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated*) £'000
Current tax		
Current period – UK corporation tax	1,361	1,494
Adjustments in respect of prior periods	(147)	(124)
Foreign current tax expense	509	329
Total current tax	1,723	1,699
Deferred tax		
Origination and reversal of temporary differences	26	1
Adjustments in respect of prior periods	6	20
Impact of change in tax rate	(8)	-
Total deferred tax	24	21
Total tax charge	1,747	1,720

Factors Affecting The Tax Charge

The tax assessed for the period is higher than (2019 – higher than) the standard rate of corporation tax in the UK. The differences are explained below.

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated*) £'000
Profit before tax	8,362	8,130
Tax charge at 19.0 % (2019 – 19.0 %)	1,589	1,544
Adjustments relating to underlying items:		
Adjustment to tax charge in respect of prior periods	(141)	(104)
Effects of expenses not deductible for tax purposes	59	59
Impact of overseas tax rates	237	174
Effect of difference in corporation tax and deferred tax rates	(8)	(2)
Deferred tax not recognised	(40)	-
Adjustments relating to non-underlying items:		
Effects of expenses not deductible for tax purposes	51	49
Total tax expense	1,747	1,720

11. 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 2020 £'000	Year ended 31 July 2019 (restated*) £'000
Profit for the year	6,615	6,410
	Number	**Number**
Weighted average number of shares in issue	82,169,600	82,169,600
Less shares held by the UPGS EBT	(3,637,542)	(2,315,204)
Weighted average number of shares – basic	78,532,058	79,854,396
Share options	1,361,617	552,536
Weighted average number of shares – diluted	79,893,675	80,406,932
	Pence	**Pence**
Earnings per share – basic	8.4	8.0
Earnings per share – diluted	8.3	8.0

12. Dividends

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Final dividend paid in respect of the previous year	2,307	1,508
Interim declared and paid	-	920
	2,307	2,428

Per share	Pence	Pence
Final dividend paid in respect of the previous year	2.93	1.89
Interim declared and paid	-	1.16
	2.93	3.05

An interim dividend of 1.160p per share in respect of the year ended 31 July 2020 was approved by the Board on 4 September 2020 and was paid on 9 October 2020 to shareholders on record as at 18 September 2020.

The Directors propose a final dividend of 2.795p per share in respect of the year ended 31 July 2020. The dividend is due to be paid on 29 January 2021 to shareholders on record as at 4 January 2021.

13. Intangible Assets

	Group Trademarks
Cost	**£'000**
As at 1 August 2018	102
Additions	9
As at 1 August 2019	111
Additions	-
As at 31 July 2020	111
Accumulated Amortisation	
As at 1 August 2018	2
Charge for the year	11
As at 1 August 2019	13
Charge for the year	12
As at 31 July 2020	25
Carrying Amount:	
As at 31 July 2020	86
As at 31 July 2019	98
As at 31 July 2018	100

Intangible assets primarily relate to the Kleeneze trademark. The amortisation charge reflects the spreading of the cost over this asset's remaining expected useful life of 7.8 years. The amortisation charge for the year has been included in administrative expenses in the Income Statement.

14. Property, Plant and Equipment

Cost	Fixtures, Fittings and Equipment £'000	Motor Vehicles £'000	Right of use assets £'000	Total £'000
As at 1 August 2018 (restated*)	4,959	68	4,611	9,638
Additions	711	-	723	1,434
Disposals	(919)	-	(56)	(975)
As at 31 July 2019 (restated*)	4,751	68	5,278	10,097
Additions	561	40	-	601
Disposals	(128)	(31)	(829)	(988)
Lease modifications	-	-	323	323
As at 31 July 2020	5,184	77	4,772	10,033
Accumulated Depreciation and Impairment Losses				
As at 1 August 2018 (restated*)	2,967	42	1,540	4,549
Charge for the year	767	12	733	1,512
Disposals	(919)	-	(38)	(957)
As at 31 July 2019 (restated*)	2,815	54	2,235	5,104
Charge for the year	691	14	712	1,417
Disposals	(109)	(20)	(829)	(958)
Lease modifications	-	-	(595)	(595)
As at 31 July 2020	3,397	48	1,523	4,968
Carrying Amount:				
As at 31 July 2020	1,787	29	3,249	5,065
As at 31 July 2019 (restated*)	1,936	14	3,043	4,993
As at 31 July 2018 (restated*)	1,992	26	3,071	5,089

Included in property, plant and equipment are assets held outside of the UK with a carrying amount at 31 July 2020 of £228,000 (2019 – £282,000).

Right of use assets comprise property and fixtures, fittings and equipment with carrying values of £3,163,000 (2019 - £2,910,000, 2018 - £2,907,000) and £86,000 (2019 - £133,000, 2018 - £164,000) respectively. Depreciation of right of use assets comprises £665,000 (2019 - £676,000) in respect of property and £47,000 (2019 - £57,000) in respect of fixtures, fittings and equipment.

15. Trade and Other Receivables

	31 July 2020 £'000	31 July 2019 (restated*) £'000
Trade receivables	17,979	17,807
Other receivables and prepayments	516	837
	18,495	18,644

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 19).

The Group maintains a high level of credit insurance on its trade receivables, averaging in excess of 97 % insured over FY 20 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 2020 are stated after provisions for impairment of £180,000 (2019 – £117,000).

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 2020 is 49 days (2019 – 46 days).

Ageing of Past Due But Not Impaired Receivables

	31 July 2020	**31 July 2019**
	£'000	**£'000**
Less than 1 month	1,328	2,912
1–2 months	241	105
2–3 months	70	116
Over 3 months	281	192
	1,920	3,325

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date, taking into account the extent of credit insurance held on the receivable.

The largest trade receivables balance with an individual customer represents 14.2 % of the total at 31 July 2020. The concentration of credit risk in relation to this is mitigated by credit insurance.

Details of the Group's credit risk management policies are shown in note 19. The Group does not hold any collateral as security for its trade and other receivables.

The Group holds invoice discounting facilities, which are secured against the Group's trade receivables. Further information can be found in note 17.

16. Trade and Other Payables

	31 July 2020	**31 July 2019 (restated*)**
	£'000	**£'000**
Trade payables	10,768	9,202
Accruals	6,304	5,836
Other taxes and social security	542	246
	17,614	15,284

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

The Directors consider that the carrying value of trade and other payables approximates their fair value. Trade and other payables are denominated in Sterling, US Dollars and Euros. 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.

17. Borrowings

	31 July 2020	31 July 2019
	£'000	£'000
Current		
Invoice discounting	-	6,509
Import loans	3,903	6,339
Revolving credit facility	-	1,719
	3,903	14,567

	31 July 2020	31 July 2019
	£'000	£'000
Non-current		
Revolving credit facility	225	-
	225	-
Less: Unamortised debt issue costs	(136)	-
	89	-
Total borrowings	3,992	14,567
The earliest that the lenders of the above borrowings require repayment is as follows:		
In less than one year	3,903	14,567
Between two and five years	225	-
Less: Unamortised debt issue costs	(136)	-
	3,992	14,567

Having refinanced its banking facilities on 1 October 2019, at 31 July 2020 the Group was funded by external banking facilities provided by HSBC under a five-year agreement which runs until 2024. At 31 July 2020, these facilities comprised a revolving credit facility of £8.2 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.

On 7 May 2020, as a protective measure against the uncertainty arising from the COVID-19 pandemic, the Group agreed an increase to the revolving credit facility with HSBC until 31 January 2021. The amount of the increase in the facility was initially for £4.0 m, reducing to £3.0 m on 31 July 2020 and to £2.0 m at 31 October 2020, until it terminates on 31 January 2021.

Current bank borrowings include a gross amount of £nil at 31 July 2020 (2019 – £6,509,000) 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 £3,903,000 at 31 July 2020, (2019 – £6,339,000) 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 2020 total bank borrowings are net of £136,000 (2019 – £Nil) 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 2019 £'000	Cash flows £'000	Non-cash changes £'000	At 31 July 2020 £'000
Invoice discounting	6,509	(6,509)	-	-
Import loans	6,339	(2,436)	-	3,903
Revolving credit facility	1,719	(1,494)	-	225
Less: unamortised debt issue costs	-	(240)	104	(136)
Total	14,567	(10,679)	104	3,992

18. Lease Liabilities

The Group's lease portfolio comprises its principal properties (Manor Mill, Heron Mill, Cologne and Guangzhou) along with certain other fixtures, fittings and equipment.

All leases consist of fixed future payment amounts. With the exception of the Manor Mill and Cologne leases which incorporate break options to provide operational flexibility, all leases have fixed terms. Management consider the likelihood of exercising such break options when determining the lease term (see note 4, Accounting Judgements). Accordingly, the lease term for Manor Mill was determined to be the full length of the lease, excluding the break option, whereas it was assumed that the break option contained within the Cologne lease would be exercised in April 2023. Consequently, the Group could potentially be exposed to additional future cash flows not reflected in the measurement of the liability below.

The Cologne and Guangzhou leases are denominated in Euros and Renminbis respectively, exposing the Group to foreign exchange risk. Euro lease outflows are met by future Euro cash inflows generated by the business, whilst forward currency contracts are taken out to hedge the Renminbi lease outflows.

Discounted Lease Liabilities

	31 July 2020 £'000	31 July 2019 (restated*) £'000
Lease liabilities less than one year	710	793
Lease liabilities greater than one year	2,804	2,659
	3,514	3,452

MATURITY ANALYSIS – CONTRACTUAL UNDISCOUNTED LEASE PAYMENTS

	31 July 2020 £'000	31 July 2019 (restated[*]) £'000
Within one year	791	858
Greater than one year but less than two years	837	792
Greater than two years but less than five years	1,260	1,921
Greater than five years but less than ten years	930	-
,	3,818	3,571

Movement in Leases in the Year

	31 July 2020 £'000 £'000	31 July 2019 (restated[*]) £'000 £'000
Balance brought forward	3,452	3,416
New leases and lease modifications (note 14)	918	723
Repayments	(854)	(850)
Interest on lease liabilities	87	87
Foreign exchange revaluation	(89)	76
Balance carried forward	3,514	3,452

Right of Use Assets

An analysis of the carrying value and depreciation of right of use assets by underlying class of asset is provided in note 14.

Details of interest on lease liabilities and foreign exchange in respect of lease liabilities (net of hedging actions) are shown in note 9.

Short-Term and Low Value Leases

The Group has elected to recognise payments for short-term leases and leases of low value assets on a straight-line basis as an expense in the income statement and these are disclosed in note 8.

19. Financial Instruments

Principal Financial Instruments

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

	31 July 2020 £'000	31 July 2019 (restated*) £'000
Trade receivables	17,979	17,807
Derivative financial instruments – assets subject to hedge accounting	-	1,251
Derivative financial instruments – assets not subject to hedge accounting	53	84
Trade and other payables	17,072	15,038
Derivative financial instruments – liabilities subject to hedge accounting	(957)	-
Derivative financial instruments – liabilities not subject to hedge accounting	(385)	(54)
Borrowings	(3,992)	(14,567)
Lease liabilities	(3,514)	(3,452)
Cash and cash equivalents	329	122

Derivative financial instruments subject to hedge accounting are cash flow hedges.

Financial Assets

The Group held the following financial assets at amortised cost:

	31 July 2020 £'000	31 July 2019 (restated*) £'000
Cash and cash equivalents	329	122
Trade receivables	17,979	17,807
	18,308	17,929

Impairment of Financial Assets

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 20 average being over 97 %) and has a history of a low level of losses thereon. Under the credit insurance policy, insured limits are applied for on a customer account level and each customer receivable balance is compared against the limit received. Where the customer balance exceeds or is forecast to exceed the insured limit, the Group's process for monitoring uninsured accounts is applied. Therefore, in measuring ECL the Group has taken account of its low historic loss experience together with its high level of credit insurance and reviewed the receivables on an item-by-item basis.

	31 July 2020			31 July 2019		
	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)	16,786	765	17,551	16,441	509	16,950
Expected credit loss	-	(174)	(174)	-	(113)	(113)
Net carrying amount	16,786	591	17,377	16,441	396	16,837
Gross carrying amount -						
Trade receivables (uninsured)	602	6	608	953	21	974
Expected credit loss	-	(6)	(6)	-	(4)	(4)
Net carrying amount	602	-	602	953	17	970
Gross carrying amount -						
Trade receivables (total)	17,388	771	18,159	17,394	530	17,924
Expected credit loss	-	(180)	(180)	-	(117)	(117)
Net carrying amount	17,388	591	17,979	17,394	413	17,807

The credit risk of Group undertakings is estimated based on the expected recoverable amount, taking into account the creditworthiness of the other party at the year end and any changes in credit risk during the year.

Financial Liabilities

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

	31 July 2020 £'000	31 July 2019 (restated*) £'000
Trade payables	10,768	9,202
Borrowings	3,992	14,567
Other payables	6,304	5,836
Lease liabilities	3,514	3,452
	24,578	33,057

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 2020 £'000	31 July 2019 (restated*) £'000
Derivative financial instruments – assets	53	1,335
Derivative financial instruments – liabilities	(1,342)	(54)
	(1,289)	1,281

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

	31 July 2020 £'000	31 July 2019 £'000
Forward currency contracts	(1,335)	1,240
Interest rate swaps	(7)	2
Interest rate caps	53	39
	(1,289)	1,281

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 2020, the Group was committed to buy US$32,100,000 (2019 – US$35,500,000), to sell €23,025,000 (2019 – €16,050,000), to sell CA$nil (2019 – CA$155,000) and to buy CNY 6,230,606 (2019 – CNY 7,960,000), paying and receiving respectively fixed Sterling amounts. At 31 July 2020, all the outstanding USD, EUR and CAD contracts mature within 12 months of the period end (2019 – 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 2020 is a liability of £1,335,000 (2019 – £1,240,000 asset).

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

All of the forward contracts to buy US Dollars and some of those to sell Euros meet the conditions for hedge accounting, as set out in the accounting policies in note 3.

The fair value of forward contracts that are effective in offsetting the exchange rate risk is a liability of £950,000 (2019 – £1,249,000 asset), 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 £950,000 within 12 months (2019 – £1,249,000 within 12 months). The cash flows in respect of the forward contracts will occur over the course of the next 12 months.

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 2020, protection was in place over an aggregate principal of £15,600,000 (2019 – £11,970,000).

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 a liability of £7,000 (2019 – £2,000 asset), which has been recognised in other comprehensive income and will be released to profit or loss over the term of the

swap agreements. The agreements expire between 31 December 2021 and 28 February 2025. The cash flows in respect of the swaps occur monthly over the effective lifetime of the swaps.

The fair value of the interest rate caps was an asset of £53,000 (2019 – £39,000).

The following is a reconciliation of the financial instruments to the Statement of Financial Position:

	31 July 2020 £'000	31 July 2019 (restated*) £'000
Trade receivables	17,979	17,807
Prepayments and other receivables not classified as financial instruments	516	837
Trade and other receivables (note 15)	18,495	18,644

	31 July 2020 £'000	31 July 2019 (restated*) £'000
Trade and other payables	17,072	15,038
Other taxes and social security not classified as financial instruments	542	246
Trade and other payables (note 16)	17,614	15,284

The Group's activities expose it to certain financial risks: market risk, credit risk and liquidity risk. The overall risk management programme focuses upon the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Directors, who identify and evaluate financial risks in close cooperation with key members of staff.

The consolidated financial information should be read in conjunction with the Group's Annual Report for the year ended 31 July 2020, 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.

20. Related Party Transactions

Transactions and Balances with Related Companies and Businesses

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Transactions with related companies:		
Lease payments to Heron Mill Limited	285	285
Lease payments to Berbar Properties Limited	135	180

There were no outstanding balances with related companies or businesses at 31 July 2020 or 31 July 2019.

21. Post Balance Sheet Events

During the year, the Group claimed £466,000 under the Government's Coronavirus Job Retention Scheme. As the Group's profitability and cash generation for the year was stronger than initially

expected, the Board took the decision in August 2020 to repay this money. The £466,000 was repaid on 11 September 2020.

22. Impact of New Accounting Standards - IFRS 16 Leases

This note explains the impact of the adoption of IFRS 16 ‘Leases’ on the Group’s financial position and financial performance.

IFRS 16 is effective for the accounting period commencing 1 August 2019. The Group adopted the standard using the fully retrospective method, with comparatives restated from a transition date of 1 August 2018.

IFRS 16 replaced IAS 17 and IFRIC 4 and requires lessees to recognise right-of-use assets and lease liabilities on balance sheet for all leases, except short-term and low value asset leases. At commencement of the lease, the lease liability equals the present value of future lease payments, discounted at the incremental borrowing rate at the start of the lease, and the right-of-use asset equals the lease liability, adjusted for payments already made, lease incentives, initial direct costs and any provision for dilapidation costs.

For pre-IFRS 16 operating leases, the rental charge is replaced by depreciation of the right-of-use asset and interest on the lease liability.

Under IFRS 16, the lease liability is remeasured upon the occurrence of certain events, such as a change in lease term or a change in future lease payments resulting from a change in an index or rate (for example, inflation-linked payments or market rate rent reviews). A corresponding adjustment is made to the right-of-use asset.

The Group applied the practical expedient not to reassess whether a contract is, or contains, a lease on transition. The Group has elected to recognise payments for short-term leases and leases of low value assets on a straight-line basis as an expense in the income statement.

The most significant IFRS 16 judgements and estimates include the determination of lease term when there are extension or termination options and the selection of an appropriate discount rate to calculate the lease liability. See note 4 for further information.

The Group’s lease portfolio consists of its principal properties (Manor Mill, Heron Mill, Guangzhou and Cologne) along with certain other plant and equipment.

IFRS 16 has an impact on reported assets, liabilities and the Consolidated Income Statement of the Group, as well as the classification of cash flows relating to lease contracts. The standard impacts a number of key measures including operating profit, EBITDA and Earnings per Share.

Consolidated Income Statement and Statement of Comprehensive Income Restatement

The table below sets out the impact of IFRS 16 on the comparative period Consolidated Income Statement and Statement of Comprehensive Income for the year ended 31 July 2019.

Administrative expenses reduce and finance costs increase as straight-line operating lease rental expense is replaced by depreciation of the right of use asset and interest on the lease liability. This results in higher operating profit and higher EBITDA. As the interest expense decreases as the lease liability decreases, profit before tax is lower in the early stages of a lease and higher in the later stages when compared to a straight-line rental expense.

	Year ended 31 July 2019		
	As reported £'000	IFRS 16 impact £'000	**Restated £'000**
Revenue	123,257	-	**123,257**
Cost of sales	(96,013)	-	**(96,013)**
Gross profit	27,244	-	**27,244**
Underlying administrative expenses	(18,106)	59	**(18,047)**
Underlying profit from operations	9,138	59	**9,197**
Share-based payment charges and other non-underlying items	(257)	-	**(257)**
Administrative expenses	(18,363)	59	**(18,304)**
Profit from operations	8,881	59	**8,940**
Finance income	6	-	**6**
Finance costs	(692)	(124)	**(816)**
Profit before taxation	8,195	(65)	**8,130**
Income tax	(1,733)	13	**(1,720)**
Profit for the year	6,462	(52)	**6,410**
	Pence	Pence	**Pence**
Earnings per share – basic	8.1	(0.1)	**8.0**

	Year ended 31 July 2019		
	As reported	IFRS 16 impact	**Restated**
	£'000	£'000	**£'000**
Profit for the year	**6,462**	**(52)**	6,410
Other comprehensive income			
Items that may subsequently be reclassified to income statement:			
Fair value movements on cash flow hedging instruments	1,278	(40)	1,238
Hedging instruments recycled through the income statement at the end of hedging relationships	(846)	-	(846)
Items that will not subsequently be reclassified to income statement:			
Foreign currency retranslation	12	-	12
Other comprehensive income for the year	**444**	**(40)**	404
Total comprehensive income for the year attributable to the equity holders of the Group	**6,906**	**(92)**	6,814

Consolidated Statement of Financial Position Restatement

The tables below set out the impact of IFRS 16 on the comparative period Consolidated Statement of Financial Position as at the transition date of 1 August 2018 and 31 July 2019.

Property, plant and equipment and lease liabilities both increase as right of use assets are recognised in the Statement of Financial Position. Further adjustments to trade and other receivables and trade and other payables relate to the removal of rental prepayments and creditors in relation to lease incentives. As leases are recognised in the Statement of Financial Position, gains or losses on hedging instruments used to mitigate the exchange risk for certain foreign currency property leases no longer meet the conditions for hedge accounting, resulting in an adjustment to the hedging reserve.

	As at 31 July 2019			As at 1 August 2018		
	As reported £'000	IFRS 16 impact £'000	**Restated £'000**	As reported £'000	IFRS 16 impact £'000	**Restated £'000**
Assets						
Intangible assets	98	-	**98**	100	-	**100**
Property, plant and equipment	1,950	3,043	**4,993**	2,018	3,071	**5,089**
Deferred tax	73	57	**130**	107	44	**151**
Total non-current assets	2,121	3,100	**5,221**	2,225	3,115	**5,340**
Inventories	20,399	-	**20,399**	16,466	-	**16,466**
Trade and other receivables	18,724	(80)	**18,644**	14,791	(80)	**14,711**
Derivative financial instruments	1,335	-	**1,335**	985	-	**985**
Cash and cash equivalents	122	-	**122**	95	-	**95**
Total current assets	40,580	(80)	**40,500**	32,337	(80)	**32,257**
Total assets	42,701	3,020	**45,721**	34,562	3,035	**37,597**
Liabilities						
Trade and other payables	(15,434)	150	**(15,284)**	(12,531)	191	**(12,340)**
Derivative financial instruments	(54)	-	**(54)**	-	-	**-**
Current tax	(812)	-	**(812)**	(427)	-	**(427)**
Borrowings	(14,567)	-	**(14,567)**	(10,992)	-	**(10,992)**
Lease liabilities	-	(793)	**(793)**	-	(771)	**(771)**
Total current liabilities	(30,867)	(643)	**(31,510)**	(23,950)	(580)	**(24,530)**
Net current assets	9,713	(723)	**8,990**	8,387	(660)	**7,727**
Borrowings	-	-	**-**	(1,864)	-	**(1,864)**
Lease liabilities	-	(2,659)	**(2,659)**	-	(2,645)	**(2,645)**
Total non-current liabilities	-	(2,659)	**(2,659)**	(1,864)	(2,645)	**(4,509)**
Total liabilities	(30,867)	(3,302)	**(34,169)**	(25,814)	(3,225)	**(29,039)**
Net assets	11,834	(282)	**11,552**	8,748	(190)	**8,558**
Equity						
Share capital	205	-	**205**	205	-	**205**
Share premium	2	-	**2**	2	-	**2**
Employee Benefit Trust	(1,649)	-	**(1,649)**	-	-	**-**
reserve	529	-	**529**	272	-	**272**
Share-based payment reserve	1,278	(40)	**1,238**	846	-	**846**
Hedging reserve	11,469	(242)	**11,227**	7,423	(190)	**7,233**
Retained earnings						
Equity attributable to owners of the company	11,834	(282)	**11,552**	8,748	(190)	**8,558**

Consolidated Statement of Cash Flows Restatement

The table below sets out the impact of IFRS 16 on the comparative period Cash Flow Statement for the year ended 31 July 2019. IFRS 16 has no impact on total cash flow for the period or cash and cash equivalents at the end of the period. Cash generated from operations increase as operating lease rental expenses are no longer recognised as operating cash outflows. Cash outflows are instead split between interest paid and repayments of obligations under leases, which both increase.

	Year ended 31 July 2019		
	As reported £'000	IFRS 16 impact £'000	**Restated £'000**
Net cash flow from operating activities			
Profit for the period	6,462	(52)	**6,410**
Adjustments for:			
Finance income	(6)	-	**(6)**
Finance costs	692	124	**816**
Income tax expense	1,733	(13)	**1,720**
Depreciation and impairment	779	733	**1,512**
Amortisation	11	-	**11**
Derivative financial instruments	132	-	**132**
Share-based payments	257	-	**257**
Income taxes paid	(1,314)	-	**(1,314)**
Working capital adjustments			
Increase in inventories	(3,932)	-	**(3,932)**
Increase in trade and other receivables	(3,933)	-	**(3,933)**
Increase in trade and other payables	2,907	40	**2,947**
Net cash from operations	3,788	832	**4,620**
Cash flows used in investing activities			
Purchase of intangible assets	(9)	-	**(9)**
Purchase of property, plant and equipment	(711)	-	**(711)**
Proceeds from sale of property, plant and equipment	-	18	**18**
Finance income	6	-	**6**
Net cash used in investing activities	(714)	18	**(696)**
Cash flows (used in)/ from financing activities			
Purchase of own shares	(1,649)	-	**(1,649)**
Proceeds from borrowings	2,091	-	**2,091**
Repayment of borrowings	(450)	-	**(450)**
Principal paid on lease obligations	-	(763)	**(763)**
Dividends paid	(2,428)	-	**(2,428)**
Interest paid	(615)	(87)	**(702)**
Net cash used in finance activities	(3,051)	(850)	**(3,901)**
Net increase in cash and cash equivalents	23	-	**23**
Cash and cash equivalents brought forward	95	-	**95**
Exchange losses on cash and cash equivalents	4	-	**4**
Cash and cash equivalents carried forward	122	-	**122**

Impact of Adopting IFRS 16 on the Current Year

The implementation of IFRS 16 in the current year has resulted in the recognition of right of use assets of £3,249,000, lease liabilities of £3,514,000 and the replacement of rental expense in the current year of £791,000 with depreciation of £712,000 and lease interest of £62,000. Further adjustments to trade and other receivables and trade and other payables relate to the removal of rental prepayments and creditors in relation to lease incentives.

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held at 2.00pm on 11 December 2020 at the Company's registered office, Manor Mill, Victoria Street, Oldham OL9 0DD.

GLOSSARY

The following definitions apply throughout this statement and the 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 20'	the calendar year 2020;
'Coronavirus Job Retention Scheme' or 'CJRS'	the UK govenrmnent 's grant scheme introduced to support employers' payroll costs for furloughed employees;
'Directors'	the Executive and Non-Executive Directors;
'EBITDA'	Earnings before interest, tax, depreciation, amortisation and profit or loss on disposal;
'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 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, Alan Rigby, and since 21 September 2020 Christine Adshead and Jill Easterbrook;
'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, Robbie Bell, Alan Rigby, until 18 September 2020, Barry Franks, and since 21 September 2020 Christine Adshead and Jill Easterbrook;
'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;

'Time to Pay'	the UK government's scheme promoted after the COVID-19 lockdown to defer the payment of PAYE and other UK tax liabilities;
'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 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;
'VAT Deferral'	the UK government's scheme introduced after the COVID-19 lockdown to delay the payment of VAT liabilities.

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

Reconciliation of Underlying Performance Measures

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 (restated*) £'000
Profit from operations	9,115	8,940
Depreciation and amortisation	1,429	1,523
Gain on disposal	18	-
EBITDA	**10,562**	**10,463**
Share-based payment charges and other non-underlying items	(199)	257
Underlying EBITDA	**10,363**	**10,720**
Profit before taxation	8,362	8,130
Share-based payment charges and other non-underlying items	(199)	257
Underlying profit before tax	**8,163**	**8,387**
Profit for the year	6,615	6,410
Share-based payment charges and other non-underlying items	(199)	257
Tax on share-based payment charges and other non-underlying items	88	-
Underlying profit for the year	**6,504**	**6,667**
Underlying profit for the year	6,504	6,667
No of shares	82,169,000	82,169,600
Underlying earnings per share	**7.9p**	**8.1 p**

*Restated for the adoption of IFRS 16 as explained in note 22