

30 April 2021

UP Global Sourcing Holdings plc

"Ultimate Products" or the "Group"

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2021

A strong performance with favourable long-term consumer trends

Ultimate Products, the owner, manager, designer and developer of an extensive range of value-focused consumer goods brands, announces its interim results for the six months ended 31 January 2021.

Financial Highlights

- Revenue up 11.4 % (or £7.7 m) to £75.4 m (H1 FY 20: £67.7 m)
 - online platforms revenue up 53.6 %, and now representing 15.6 % of Group revenues
 - UK and European supermarket customers revenue up 27.6 %, and now representing 27.0 % of Group revenues
- International revenue up 0.5 % (or £0.1 m) to £23.6 m (H1 FY 20: £23.5 m), representing 31.1 % of Group revenues with Germany performing particularly well, up 25.7 % (£1.5 m) (albeit offset elsewhere by the effect of non-essential store closures during COVID-19 lockdowns)
- Underlying EBITDA¹ up 20.8 % (or £1.5 m) to £8.8 m (H1 FY 20: £7.2 m)
- Underlying profit before taxation² up 24.4 % (or £1.5 m) to £7.7 m (H1 FY 20: £6.2 m)
- Profit before taxation up 18.9 % (or £1.1 m) to £7.2 m (H1 FY 20: £6.0 m)
- Net bank debt/underlying EBITDA ratio at 31 January 2021 was 0.1x (31 July 2020: 0.4x; 31 January 2020: 1.0x)
- Interim dividend of 1.69 p per share, up 45.7 % (H1 FY 20: 1.16 p), payable on 30 July 2021 to shareholders on the register on 18 June 2021

Operational Highlights

- Repaid all monies received under the Coronavirus Job Retention Scheme, in addition to bringing up to date all payments which had been deferred under the government's VAT deferral and Time to Pay initiatives
- Purchased Petra, the Germany electrical kitchen brand, post period end in February 2021
- Restarted the planned investment in Manor Mill head office, having previously deferred the project as part of COVID-19 mitigation. Refurbishment will provide additional capacity for future growth, and is expected to be largely completed during H2 FY 21
- Further strengthened the Board through the appointments of Jill Easterbrook and Christine Adshead as independent Non-Executive Directors in September 2020

- Continued to work on a range of initiatives to support our people, make a positive contribution to our local communities, and reduce our impact on the environment

Note:

1. Calculated after adding back share based payment charges and other non-underlying items as referred to in Note 10.
2. Calculated after adding back share-based payment charges and other non-underlying items as shown in Note 12.

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

"We are pleased to have delivered another good performance during the first half of the year, and today's results illustrate yet again the resilience and adaptability of our business. As ever, I would like to thank all of our colleagues for their outstanding dedication, as well as for their efforts in helping Ultimate Products to provide much needed support to the local communities in which it operates.

Since the pandemic began, a number of trends have emerged that clearly play to Ultimate Products' strengths, and which we believe are here to stay. The increase in home working and home cooking, the emphasis on cleaning and hygiene products, and a more considered approach to spending are all positive developments for us, given our strong portfolio of value-led brands for the home. In addition, the switch to online shopping is driving outstanding growth in our online segment, which in only a relatively short period of time has gone from a start-up to being a substantial contributor to our revenue and a key driver of our growth.

As a result of these favourable and growing trends, as well as our customer base of leading retailers and the outstanding service that we are able to offer them, we remain confident in the future prospects for Ultimate Products."

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) 596/2014 WHICH IS PART OF UK LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018.

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 five product categories: Small Domestic Appliances; Housewares; Audio; Laundry; and Heating and Cooling. Its brands include Beldray (laundry, floor care, heating and cooling), Intempo (audio), Kleeneze (laundry), Salter (kitchenware), Petra (kitchenware) 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 recognises the importance of maintaining the highest standards of corporate behaviour, and has a strong focus on the environmental, social and governance-related aspects of its business. The Group has a range of initiatives in place to support its people, make a positive contribution to its local communities, and reduce its impact on the environment.

Ultimate Products' graduate development scheme was launched in 2012 and in 2020 it welcomed its 300th graduate. In total, Ultimate Products now employs over 300 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

INTERIM STATEMENT

We are pleased to present the Interim Report for FY 21, a period in which the business again demonstrated its resilience and adaptability against the extremely challenging background of the COVID-19 pandemic. During this difficult time, Ultimate Products has not only protected the business and its colleagues, but has also used it as an opportunity to drive growth and productivity. In addition, the Group has sought to increase its long-standing support for the communities in which it is proud to operate, targeting help at those who have been most disadvantaged by the crisis.

STRATEGY

Our purpose is to provide beautiful products for every home. We do this by designing, sourcing and supplying quality homeware products through our innovative, sustainable and customer-orientated capabilities.

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

1. International retailers;
2. Supermarkets;
3. Online platforms; and
4. Discounters.

The Board remains confident that this long-standing strategy will continue to deliver long-term growth.

TRADING FOR THE PERIOD

Despite the challenges of COVID-19, revenue increased for the six months ended 31 January 2021 ('H1 FY 21') by 11.4 % (£7.7 m) to £75.4 m (H1 FY 20 – £67.7 m).

International

International revenue was ahead of last year by 0.5 % (£0.1 m) to £23.6 m (H1 FY 20 – £23.5 m), with Germany performing particularly well, up 25.7 % (£1.5 m), albeit offset elsewhere by the effect of non-essential store closures during COVID-19 lockdowns. The prospects for our international business, which is mainly focused on Europe, remain very encouraging with Germany representing a particularly exciting opportunity.

Supermarkets

Our brands continued to resonate very well with supermarket customers in both the UK and, increasingly, in Europe which led to further robust growth in H1 FY 21 with revenue up 27.6 % (£4.4 m) to £20.4 m (H1 FY 20 – £16.0 m) with the key drivers being the Beldray, Salter and Russell Hobbs brands. The supermarket segment accounted for 27.1 % of revenue in the period (H1 FY 20 – 23.7 %), which is a continuation of the long-term growth in revenue and increased revenue share from this channel. This is being driven by improved consumer awareness and perception of our brands allied with excellent execution and service to the retailer.

Online Platforms

Our online business grew substantially, with revenue up 53.6 % (£4.1 m) to £11.8 m (H1 FY 20 – £7.7 m). Online accounted for 15.6 % of overall revenue (H1 FY 20 – 11.3 %) against an existing long-term target of over 20 %. This target has now been reviewed and increased to 30 %, driven by our enhanced operational capabilities, ongoing product development and European expansion plans. COVID-19 lockdowns are likely to have accelerated the consumer switch to online shopping by several years. We believe that this changed behaviour is here to stay and have seen particularly strong sales in kitchen electrical, cookware, cleaning and

laundry products. 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.

Discounters

Sales to discounters increased by 0.6 % (£0.2 m) to £28.4 m (H1 FY 20 – £28.2 m). This represented a stabilisation after a decline in FY 20, which was caused by discount retailers being more likely to be closed as non-essential stores when compared to other channels such as supermarkets. When the COVID-19 crisis and associated lockdowns come to an end, we expect to see the discount sector resume its long-term trend of growth and this represents a continued opportunity for Ultimate Products.

Operating Margins

Gross margin decreased to 22.8 % (H1 FY 20 – 23.6 %) as a result of online marketing spend (£0.9 m) in the period being expensed via cost of sales. In H1 FY 20, the equivalent spend was lower (£0.2 m) and was included in administrative expenses. The higher online marketing spend accelerated the sales performance of the significant number of new product lines that came into the business during the period, as product development continued during CY 20.

Despite the increase in revenues, administrative expenses before share-based payment charges and the repayment of furlough monies ('overheads') were £0.2 m lower than last year, a decrease of 2.6 %. This was the net of a number of moving parts including COVID-19 related savings on travel and exhibition costs (£0.7 m) partly offset by an increase in the bonus accrual (£0.5 m). As stated above, there were online marketing costs (£0.2 m) included in overheads last year that were re-classified into cost of sales during H1 FY 21. It is expected that travel and exhibition spend will increase again when the COVID-19 restrictions end but not to their previous levels. New ways of working developed during the pandemic, for example virtual selling and some remote working, are expected to continue in the long-term.

Looking through the above movements in gross margin and overheads, it is clear that the Group's relentless focus on productivity is delivering significant benefits. The Board believes that the COVID-19 crisis and the insights that it has brought have assisted in this process. As a result, during the period, the Group saw increased revenues off a broadly flat resource base leading to a 0.9 % increase in the underlying EBITDA¹ margin to 11.6 % (H1 FY 20 – 10.7 %). The combination of higher revenues and a higher operating margin led to a 20.8 % (£1.5 m) increase in underlying EBITDA¹ to £8.8 m (H1 FY 20 – £7.2 m) and a 24.4 % (£1.5 m) increase in underlying profit before taxation² to £7.7 m (H1 FY 20 – £6.2 m).

BALANCE SHEET

Net working capital at 31 January 2021 was £16.9 m, down from £22.7 m at 31 January 2020 – a decrease of £5.8 m or 25.5 %.

Net cash from operations for the period was level at £6.8 m (H1 FY 20 – £6.8 m) as working capital has remained stable overall since 31 July 2020 as increased trade debtors, driven by the growth in revenue, was offset by higher trade creditors because of improved supplier terms.

Net bank debt at 31 January 2021 was only £1.5 m, down from £3.8 m at 31 July 2020 and £11.2 m at 31 January 2020. This substantial de-leveraging over the 12 months to 31 January 2021 is the result of strong profitability combined with reduced stock levels, arising from increased online demand, and improved supplier terms.

As a result, the net bank debt/underlying EBITDA ratio at 31 January 2021 was 0.1x (31 July 2020 – 0.4x; 31 January 2020 – 1.0x) based on underlying EBITDA for the 12 months to 31 January 2021. The Group

maintained comfortable headroom within its bank facilities, with headroom of £25.6 m at 31 January 2021 (31 July 2020 – £21.3 m; 31 January 2020 – £13.2 m) and operated well within its banking covenants.

Shareholders' equity increased to £16.0 m at 31 January 2021, up from £12.5 m at 31 January 2020, an increase of £3.5 m. The main movements in shareholders' equity were:

1. An increase in retained earnings of £4.5 m; offset by
2. An increase in the hedging reserve of £0.7 m; and
3. Total debits to the Employee Benefit Trust reserve of £0.5 m relating to the purchase of the Group's shares by the UP Global Sourcing Employee Benefit Trust ('UPGS EBT').

COVID-19

Protecting Colleagues

From the beginning of the pandemic, our first priority has been the health and well-being of colleagues. We have done and continue to do everything we can to ensure that they are given all of the support and assistance that they need. This includes a strictly monitored and comprehensive range of safety measures in order to protect all colleagues working from the Group's sites and continued home working for those who can, in accordance with government guidance.

Community

Ultimate Products is headquartered in Oldham, Greater Manchester and we are proud to be part of that community as well as the other international communities in which we operate. We take our role as a responsible and socially engaged corporate citizen very seriously and are committed to helping our local communities as they deal with the fall-out 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 energy, decency and spirit of its people. We have been proud to play our part in these efforts which include supporting the local food bank, NHS and key workers, domestic abuse survivors and young carers. We have also supported a range of initiatives aimed at giving young people access to training, further education and employment.

Furlough Monies

During the period we repaid the £465,237 received under the Coronavirus Job Retention Scheme. In addition, in July 2020 we brought up to date all 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.

OPERATIONAL REVIEW

Head Office Investment

The Group planned to invest £1.8 m during CY 20 in its Manor Mill head office in order to provide additional capacity for future growth and a better-quality working environment for our colleagues. These plans were deferred in light of the decision to temporarily cease all non-critical capital expenditure projects as part of the measures that the Group took to mitigate the financial impact of COVID-19 on the business. The works have now been restarted and are expected to be largely completed during H2 FY 21. This investment is an important step in the curation of our talent, providing a workplace that will promote training, collaboration and the interchange of ideas between colleagues.

Acquisition of Petra Brand

On 9 February 2021, the Group purchased Petra, the German kitchen electrical brand. Founded in 1968 in Bavaria, Petra originally specialised in coffee machines before expanding its range into other kitchen electrical products. In recent years, the brand received limited investment from its previous owner, although market research shows that it remains well known to German consumers.

The Group plans to relaunch and refresh the Petra brand with a new range of kitchen electrical appliances. As the brand is well recognised in Germany, where it has a strong reputation for quality and design innovation, Ultimate Products will initially target this market. In time, it is expected that Petra will be launched into other territories, trading on its German heritage and reputation for quality.

Employee Share Participation

On 2 December 2020 the Group made a further grant of options over 531,595 ordinary shares under its Save As You Earn Scheme ('the SAYE Scheme') equating to 0.65 % of the current issued share capital of the Group. Under the SAYE Scheme, all qualifying colleagues are offered each year the opportunity to participate in the future growth of the business through the granting of share options. As at 31 January 2021, there were 104 colleagues saving each month under the SAYE Scheme with share options equating to 1.94 % of the current issued share capital of the Group.

On 14 December 2020, the Group also made a further grant of options over 655,000 ordinary shares under the Group's Performance Share Plan ('PSP') equating to 0.80 % of the current issued share capital of the Group. Simon Showman, Chief Executive, and Andrew Gossage, Managing Director, did not participate in the PSP as they are already substantial shareholders. As at 31 January 2021, there were total share options granted under the PSP to 22 key managers equating to 2.16 % of the current issued share capital of the Group.

It is intended that any future exercise of options granted to date under the SAYE Scheme and the PSP will be fully satisfied through the 4,058,307 ordinary shares currently held in trust by the UP Global Sourcing Employee Benefit Trust. Following these grants, the Group had a total of 3,367,603 share options outstanding at 31 January 2021 under the SAYE Scheme and the PSP.

The above share option awards represent a further significant step up in equity participation by managers and employees at all levels of the business, with the crucial objective of increased incentivisation and retention of key talent.

Board Changes

In September 2020, the Group announced the appointment of Jill Easterbrook and Christine Adshead as independent Non-Executive Directors. It was also announced that Barry Franks, the Company's co-founder, would step down from the Board but would remain in the business as President in recognition of his outstanding and continuing contribution to Ultimate Products since its inception in 1997. The additions of Jill (formerly CEO of Boden, the fashion retailer) and Christine (a former Partner at PwC) have significantly added to the already strong expertise of the Group's Board.

Brexit

The Brexit transition period came to an end on 31 December 2020. This has been followed by a period of general disruption for the export of goods from the UK into Ireland and mainland Europe as businesses, hauliers and customs adapt to the new trading arrangements. The export of goods from the UK into Ireland and mainland Europe accounts for less than 10 % of Ultimate Products' revenues as the bulk of its EU business is imported directly into that territory, typically from China, without touching the UK.

For that part of the business which has been affected by these changes, the Group has adapted well to the new environment. Nevertheless, there has been some disruption, particularly in the very early part of CY 21, although this has reduced as we move through H2 FY 21. Full normalisation is expected by the beginning of Q4 FY 21 and the overall impact on FY 21 revenues is not expected to be material.

The new trading arrangements have led to additional duty costs as tariffs are charged on importation into the UK and then again as they are re-exported into the EU. These extra costs have been wholly offset by reductions in inward tariffs into the UK. We are currently in the process of applying for bonded warehouse status for our two distribution centres, which is expected to be granted during H1 FY 22. This will largely eliminate the double duty effect of exporting into the EU, leading to an estimated annual duty saving of approximately £0.3 m per annum.

Shipping

During the height of the pandemic in the spring and summer of CY 20, the shipping lines responded to the significant drop in demand from Europe and the USA by removing capacity. As demand returned during the autumn and winter of CY 20, the remaining capacity became squeezed and availability became more difficult to secure. This peaked in the run-up to Chinese New Year ('CNY') on 12 February 2021 as Western retailers and brands sought to get their product shipped ahead of the CNY shutdown. As a result, shipping rates spiked leading to substantial additional shipping costs for the Group and indeed all other businesses supplied out of China. Since CNY, shipping rates have begun to moderate and are predicted to largely normalise by Q1 FY 22.

The additional shipping costs are expected to reduce gross margin by approximately 1.0 – 1.5 % in H2 FY 21, compared to H1 FY 21, before recovering back to its previous level in H1 FY 22. This reduction in gross margin for H2 FY 21 is reflected in the profit guidance given below.

DIVIDEND

In line with the Group's dividend policy of 50 % of adjusted profits after tax, the Board has declared an interim dividend of 1.69 p per share, up from 1.16 p last year, an increase of 45.7 %. The interim dividend is payable on 30 July 2021 to shareholders on the register on 18 June 2021 with an ex-dividend date of 17 June 2021.

CURRENT TRADING AND OUTLOOK

The Board anticipates that its performance in FY 21 will be ahead of current expectations, with revenues forecast to be in excess of £135 m (FY 20 – £115.7 m). While the Group has seen an increase in shipping rates, as noted above, the Board nevertheless currently expects that underlying EBITDA for FY 21 will be in excess of £13.0 m (FY 20 – £10.4 m) with underlying profit before tax in excess of £10.8 m (FY 20 – £8.2 m).

The Board also believes that the COVID-19 pandemic will lead to long-term changes in consumer attitudes and behaviour, including more home working, more home cooking, a greater emphasis on hygiene and cleanliness, more online shopping and a more considered approach to spending. As Ultimate Products' brands are largely focused on the home, the Group is well placed to take advantage of these trends. This position is reinforced by our focus on leading retailers and the excellent end-to-end service that we provide to them. As a result, we are confident in the future prospects for the business.

James McCarthy

Chairman

Simon Showman

Chief Executive Officer

Note:

1. Calculated after adding back share-based payment charges and other non-underlying items as referred to in Note 10.
2. Calculated after adding back share-based payment charges and other non-underlying items as shown in Note 12.

Consolidated Condensed Income Statement

		6 months ended 31 Jan 2021	6 months ended 31 Jan 2020	Year ended 31 Jul 2020
	Note	£'000	£'000	£'000
Revenue	7	75,382	67,690	115,684
Cost of sales		(58,199)	(51,712)	(89,084)
Gross profit		17,183	15,978	26,660
Underlying administrative expenses		(9,198)	(9,441)	(17,684)
Underlying profit from operations		7,985	6,537	8,916
Share-based payment charges and other non-underlying items	9	(547)	(174)	199
Administrative expenses		(9,745)	(9,615)	(17,485)
Profit from operations	10	7,438	6,363	9,115
Finance costs	11	(277)	(342)	(753)
Profit before taxation	12	7,161	6,021	8,362
Income tax	13	(1,446)	(1,323)	(1,747)
Profit for the period		5,715	4,698	6,615
		Pence	Pence	Pence
Earnings per share - basic	14	7.3	6.0	8.4
Earnings per share - diluted	14	7.2	5.9	8.3

Consolidated Condensed Statement of Comprehensive Income

	6 months ended 31 Jan 2021 £'000	6 months ended 31 Jan 2020 £'000	Year ended 31 Jul 2020 £'000
Profit for the period	5,715	4,698	6,615
Other comprehensive expense			
<i>Items that may subsequently be reclassified to the income statement:</i>			
Fair value movements on cash flow hedging instruments	(721)	(841)	(961)
Hedging instruments recycled through the income statement at the end of hedging relationships	617	(740)	(1,238)
Foreign currency retranslation	(9)	(15)	(8)
Other comprehensive expense for the period	(113)	(1,596)	(2,207)
Total comprehensive income for period attributable to the equity holders of the company	5,602	3,102	4,408

Consolidated Condensed Statement of Financial Position

	Note	As at 31 Jan 2021 £'000	As at 31 Jan 2020 £'000	As at 31 Jul 2020 £'000
Assets				
Intangible assets		100	92	86
Property, plant and equipment	16	5,101	5,503	5,065
Deferred tax		239	128	106
Total non-current assets		5,440	5,723	5,257
Inventories		15,775	18,129	16,022
Trade and other receivables	17	23,820	20,275	18,495
Derivative financial instruments	21	117	216	53
Cash and cash equivalents		2,624	124	329
Total current assets		42,336	38,744	34,899
Total assets		47,776	44,467	40,156
Liabilities				
Trade and other payables	18	(22,885)	(15,931)	(17,614)
Derivative financial instruments	21	(1,079)	(383)	(1,342)
Current tax		(590)	(641)	(280)
Borrowings	19	(4,012)	(9,500)	(3,903)
Lease liabilities	20	(774)	(669)	(710)
Total current liabilities		(29,340)	(27,124)	(23,849)
Net current assets		12,996	11,620	11,050
Borrowings	19	-	(1,657)	(89)
Lease liabilities	20	(2,428)	(3,165)	(2,804)
Total non-current liabilities		(2,428)	(4,822)	(2,893)
Total liabilities		(31,768)	(31,946)	(26,742)
Net assets		16,008	12,521	13,414
Equity				
Share capital		205	205	205
Share premium		2	2	2
Employee Benefit Trust reserve		(2,155)	(1,649)	(2,155)
Share-based payment reserve		877	703	796
Hedging reserve		(1,065)	(343)	(961)
Retained earnings		18,144	13,603	15,527
Equity attributable to owners of the company		16,008	12,521	13,414

Consolidated Condensed Statement of Changes in Equity

	Share capital	Share premium	Employee Benefit Trust reserve	Share-based payment reserve	Hedging reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 August 2020	205	2	(2,155)	796	(961)	15,527	13,414
Profit for the period	-	-	-	-	-	5,715	5,715
Foreign currency translation	-	-	-	-	-	(9)	(9)
Cash flow hedging movement	-	-	-	-	(104)	-	(104)
Total comprehensive income for the period	-	-	-	-	(104)	5,706	5,602
<i>Transactions with shareholders:</i>							
Dividends payable	-	-	-	-	-	(3,089)	(3,089)
Share-based payments	-	-	-	81	-	-	81
As at 31 January 2021	205	2	(2,155)	877	(1,065)	18,144	16,008
	Share capital	Share premium	Employee Benefit Trust reserve	Share-based payment reserve	Hedging reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 August 2019	205	2	(1,649)	529	1,238	11,227	11,552
Profit for the period	-	-	-	-	-	4,698	4,698
Foreign currency translation	-	-	-	-	-	(15)	(15)
Cash flow hedging movement	-	-	-	-	(1,581)	-	(1,581)
Total comprehensive income for the period	-	-	-	-	(1,581)	4,683	3,102
<i>Transactions with shareholders:</i>							
Dividends payable	-	-	-	-	-	(2,307)	(2,307)
Share-based payments	-	-	-	174	-	-	174
As at 31 January 2020	205	2	(1,649)	703	(343)	13,603	12,521
	Share capital	Share premium	Employee Benefit Trust reserve	Share-based payment reserve	Hedging reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 August 2019	205	2	(1,649)	529	1,238	11,227	11,552
Profit for the period	-	-	-	-	-	6,615	6,615
Foreign currency translation	-	-	-	-	-	(8)	(8)
Cash flow hedging movement	-	-	-	-	(2,199)	-	(2,199)
Total comprehensive income for the period	-	-	-	-	(2,199)	6,607	4,408
<i>Transactions with shareholders:</i>							
Dividends payable	-	-	-	-	-	(2,307)	(2,307)
Purchase of own shares	-	-	(506)	-	-	-	(506)
Share-based payments	-	-	-	267	-	-	267
As at 31 July 2020	205	2	(2,155)	796	(961)	15,527	13,414

Consolidated Condensed Cash Flow Statement

	6 months ended 31 Jan 2021 £'000	6 months ended 31 Jan 2020 £'000	Year ended 31 Jul 2020 £'000
Net cash flow from operating activities			
Profit for the period	5,715	4,698	6,615
Adjustments for:			
Finance costs	277	342	753
Income tax expense	1,446	1,323	1,747
Depreciation and impairment	766	706	1,417
Amortisation	6	6	12
(Profit)/ loss on disposal of non-current assets	(3)	-	18
Movements in derivative financial instruments	(435)	(262)	324
Share-based payments	81	174	267
Income taxes paid	(1,269)	(1,491)	(2,255)
Working capital adjustments			
Decrease in inventories	247	2,270	4,377
(Increase)/ decrease in trade and other receivables	(5,326)	(1,631)	150
Increase in trade and other payables	5,263	619	2,339
Net cash from operations	6,768	6,754	15,764
Cash flows used in investing activities			
Purchase of intangible assets	(20)	-	-
Purchase of property, plant and equipment	(802)	(309)	(601)
Proceeds from sale of property, plant and equipment	3	11	12
Net cash used in investing activities	(819)	(298)	(589)
Cash flows used in financing activities			
Purchase of own shares	-	-	(506)
Proceeds from borrowings	221	-	-
Repayment of borrowings	(225)	(3,234)	(10,439)
Principal paid on lease obligations	(334)	(425)	(773)
Debt issue costs paid	(44)	(215)	(240)
Dividends paid	(3,089)	(2,307)	(2,307)
Interest paid	(179)	(268)	(698)
Net cash used in finance activities	(3,650)	(6,449)	(14,963)
Net increase in cash and cash equivalents	2,299	7	212
Cash and cash equivalents brought forward	329	122	122
Exchange losses on cash and cash equivalents	(4)	(5)	(5)
Cash and cash equivalents carried forward	2,624	124	329

Notes to the Interim Results

1. General Information

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

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

This consolidated condensed interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 July 2020 were approved by the Board of Directors on 2 November 2020 and delivered to the Registrar of Companies. The comparative figures for the financial year ended 31 July 2020 are an extract of the Company's statutory accounts for that year. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

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

2. Basis of Preparation

This consolidated condensed interim financial information for the six months ended 31 January 2021 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim Financial Reporting' as adopted from time to time by the European Commission, in accordance with Regulation (EC)No 1606/2002 as it applied in the European Union. The consolidated condensed interim financial information should be read in conjunction with the audited financial statements for the year ended 31 July 2020, which have been prepared in accordance with IFRSs as adopted by the European Union.

Going Concern Basis

The Directors have adopted the going concern basis in preparing this Interim Statement after assessing 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, which cover the period to July 2024, 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 the Interim Statement.

3. Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 July 2020, except for the adoption of the following new standards, amendments and interpretations:

Standard	Key Requirements
Amendments to IAS 1 and IAS 8: Definition of Material	The Group adopted the amendments to IAS 1 and IAS 8 to clarify the definition of material and its application for the accounting period commencing 1 August 2020.
Amendments to References to the Conceptual Framework in IFRS Standards	The Group adopted the amendments to References to the Conceptual Framework in IFRS Standards for the accounting period commencing 1 August 2020.
Amendment to IFRS 16 Leases Covid-19-Related Rent Concessions	The Group adopted the amendment to IFRS 16 Leases Covid-19-Related Rent Concessions for the accounting period commencing 1 August 2020.

The adoption of these standards, amendments and interpretations has not had a material impact on the Group.

Critical Accounting Judgements

Leases – 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 this Interim Statement after assessing 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, which cover the period to July 2024, 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 the Interim Statement.

4. Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decisionmaker. 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 different to the core business. The information reported to the Directors, for the purposes of resource allocation and assessment of performance, is based wholly on the overall activities of the Group. The Group has therefore determined that it has only one reportable segment under IFRS 8.

The results and assets for this segment can be determined by reference to the statement of comprehensive income and statement of financial position.

5. Principal Risks and Uncertainties

The Directors consider that the principal risks and uncertainties, which could have a material impact on the Group's performance in the remaining 6 months of the financial year, remain substantially the same as those stated on pages 22–28 of the Group's Annual Report for the year ended 31 July 2020, which is available on the Group's website, www.upgs.com.

6. Financial Instruments

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

The condensed Interim Financial Statements should be read in conjunction with the Group's Annual Report for the year ended 31 July 2020, as they do not include all financial risk management information and disclosures contained within the Annual Report. There have been no changes in the risk management policies since the year-end.

7. Revenue

The Group has disaggregated revenue into various categories in the following tables which are intended to depict the nature of the Group's revenue.

Geographical split by location:

	6 months ended 31 Jan 2021 £'000	6 months ended 31 Jan 2020 £'000	Year ended 31 Jul 2020 £'000
United Kingdom	51,738	44,164	74,045
Germany	7,403	5,888	10,951
Rest of Europe	15,032	16,886	29,716
USA	498	373	403
Rest of the world	711	379	569
Total	75,382	67,690	115,684
International sales	23,644	23,525	41,639
Percentage of total	31.4 %	34.8 %	36.0 %

Analysis of Revenue by Brand:

	6 months ended 31 Jan 2021 £'000	6 months ended 31 Jan 2020 £'000	Year ended 31 Jul 2020 £'000
Beldray	21,541	18,657	32,762
Salter	16,618	15,533	25,834
Russell Hobbs	8,860	5,613	11,741
Progress	3,994	2,450	4,410
Intempo	2,805	3,114	5,049
Kleeneze	959	433	1,183
Premier brands	54,777	45,800	80,979
Other key brands	7,622	11,044	16,639
Key brands total	62,399	56,844	97,618
Other brands and own label	12,983	10,846	18,066
Total	75,382	67,690	115,684

Analysis of Revenue by Major Products:

	6 months ended 31 Jan 2021 £'000	6 months ended 31 Jan 2020 £'000	Year ended 31 Jul 2020 £'000
Small domestic appliances	28,693	22,359	38,667
Housewares	19,793	15,382	28,210
Laundry	8,914	7,196	12,287
Audio	8,019	11,046	17,067
Heating and cooling	1,971	2,883	6,342
Luggage	1,296	3,312	4,052
Others	6,696	5,512	9,059
Total	75,382	67,690	115,684

Analysis of Revenue by Strategic Pillar:

	6 months ended 31 Jan 2021 £'000	6 months ended 31 Jan 2020 £'000	Year ended 31 Jul 2020 £'000
Discount retailers	28,364	28,182	44,685
Supermarkets	20,438	16,018	28,126
Online channels	11,794	7,680	16,719
	60,596	51,880	89,530
Multiple-store retailers	9,544	10,410	15,010
Other	5,242	5,400	11,144
Total	75,382	67,690	115,684

Included in revenue are sales of £23,627,000 (six months ended 31 January 2020 – £18,413,000; year ended 31 July 2020 – £30,136,000) to the Group's largest two customers.

8. Seasonality of Operations

Overall, the Group's product range is not significantly seasonal, however, retail demand is higher in the Christmas trading period. As a result of this it is anticipated that the operating profits for the second half of the year ending 31 July 2021 will be lower than those for the six months ended 31 January 2021.

9. Share-based Payment Charges and Other Non-Underlying Items

	6 months ended 31 Jan 2021 £'000	6 months ended 31 Jan 2020 £'000	Year ended 31 Jul 2020 £'000
Share-based payment expense	81	174	267
Coronavirus Job Retention Scheme repayment/ (credit)	466	-	(466)
Total	547	174	(199)

The share-based payment expense relates to the non-cash charge arising on the Management Incentive Plans ('MIP'), the Save as You Earn ('SAYE') schemes and the Performance Share Plans ('PSP').

During the year ended 31 July 2020, the Group claimed £466,000 under the Government's Coronavirus Job Retention Scheme. The Group repaid this amount during the six months ended 31 January 2021.

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

10. Operating Expenses

	6 months ended 31 Jan 2021 £'000	6 months ended 31 Jan 2020 £'000	Year ended 31 Jul 2020 £'000
The profit is stated after charging expenses as follows:			
Depreciation of owned property, plant and equipment	380	343	705
Depreciation of right of use assets	386	363	712
Amortisation	6	6	12

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

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

	6 months ended 31 Jan 2021	6 months ended 31 Jan 2020	Year ended 31 Jul 2020
	£'000	£'000	£'000
Profit from operations	7,438	6,363	9,115
Depreciation	766	706	1,417
Amortisation	6	6	12
(Gain)/loss on disposal	(3)	-	18
EBITDA	8,207	7,075	10,562
Share-based payment charges and other non-underlying items - note 9	547	174	(199)
Underlying EBITDA	8,754	7,249	10,363
Underlying EBITDA margin	11.6 %	10.7 %	9.0 %

11. Finance Costs

	6 months ended 31 Jan 2021	6 months ended 31 Jan 2020	Year ended 31 Jul 2020
	£'000	£'000	£'000
Interest on bank loans and overdrafts	142	241	511
Interest on lease liabilities	44	39	87
Foreign exchange in respect of lease liabilities (net of hedging actions)	(1)	(16)	(25)
Other interest payable and similar charges	92	78	180
Total	277	342	753

12. Profit Before Taxation

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

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

	6 months ended 31 Jan 2021	6 months ended 31 Jan 2020	Year ended 31 Jul 2020
	£'000	£'000	£'000
Profit before taxation	7,161	6,021	8,362
Share-based payment charges and other non-underlying items - note 9	547	174	(199)
Underlying profit before taxation	7,708	6,195	8,163

13. Taxation

	6 months ended 31 Jan 2021 £'000	6 months ended 31 Jan 2020 £'000	Year ended 31 Jul 2020 £'000
Total tax expense	1,446	1,323	1,747
Tax on share-based payment charges and other non-underlying items	228	-	(88)
Tax expense on underlying profit before taxation	1,674	1,323	1,659

The interim period tax charge is accrued based on the estimated average annual effective income tax rate of 20.2 % (six months ended 31 January 2020 – 22.0 %; year ended 31 July 2020 – 20.9 %).

The effective income tax rates on the underlying profit before taxation was 21.7 % (six months ended 31 January 2020 – 21.4 %; year ended 31 July 2020 – 20.3 %).

Following the Budget on 3 March 2021, legislation will be introduced to amend the main rate for Corporation Tax to 25 % from 1 April 2023.

14. Earnings per Share

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

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

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

	6 months ended 31 Jan 2021 £'000	6 months ended 31 Jan 2020 £'000	Year ended 31 Jul 2020 £'000
Profit for the period	5,715	4,698	6,615
	Number	Number	Number
Weighted average number of shares in issue	82,169,600	82,169,600	82,169,600
Less shares held by the Employee Benefit Trust	(4,058,307)	(3,308,307)	(3,637,542)
Weighted average number of shares – basic	78,111,293	78,861,293	78,532,058
Share options	1,538,434	1,373,783	1,361,617
Weighted average number of shares – diluted	79,649,727	80,235,076	79,893,675
	Pence	Pence	Pence
Earnings per share – basic	7.3	6.0	8.4
Earnings per share – diluted	7.2	5.9	8.3

The underlying earnings per share referred to below is based on the underlying profit for the period, which reflects the profit for the period after adding back the share-based payment charges and other non-underlying items set out in note 9 and the tax effects as set out in note 13, divided by the weighted average number of shares in issue for the period.

	6 months ended 31 Jan 2021 £'000	6 months ended 31 Jan 2020 £'000	Year ended 31 Jul 2020 £'000
Underlying profit before taxation – note 12	7,708	6,195	8,163
Taxation on underlying profit before taxation – note 13	(1,674)	(1,323)	(1,659)
Underlying profit for the period	6,034	4,872	6,504
	Number	Number	Number
Weighted average number of shares – underlying	82,169,600	82,169,600	82,169,600
	Pence	Pence	Pence
Underlying profit per share	7.3	5.9	7.9

15. Dividends

	6 months ended 31 Jan 2021 £'000	6 months ended 31 Jan 2020 £'000	Year ended 31 Jul 2020 £'000
Interim dividend paid in respect of the previous year	906	-	-
Final dividend paid in respect of the previous year	2,183	2,307	2,307
	3,089	2,307	2,307
	Pence	Pence	Pence
Per share	1.160	-	-
Interim dividend paid in respect of the previous year	2.795	2.925	2.925
Final dividend paid in respect of the previous year	3.955	2.925	2.925

An interim dividend of 1.16 p per share in respect of the year ended 31 July 2020 was approved by the Board on 4 September 2020 and was paid during the 6 months ended 31 January 2021.

A final dividend of 2.795 p per share in respect of the year ended 31 July 2020 was approved by the Board on 11 December 2020 and was paid during the 6 months ended 31 January 2021.

An interim dividend of 1.69 p per share was approved by the Board on 29 April 2021 and will be paid on 30 July 2021 to shareholders on record as at 18 June 2021.

16. Property, Plant and Equipment

	As at 31 Jan 2021	As at 31 Jan 2020	As at 31 Jul 2020
	£'000	£'000	£'000
Opening net book value	5,065	4,993	4,993
Additions	802	309	601
Lease modifications	-	918	918
Disposals	-	(11)	(30)
Depreciation	(766)	(706)	(1,417)
Closing net book value	5,101	5,503	5,065

Included within the above are right of use assets as follows:

Right of use assets

	As at 31 Jan 2021	As at 31 Jan 2020	As at 31 Jul 2020
	£'000	£'000	£'000
Opening net book value	3,249	3,043	3,043
Modifications	-	918	918
Depreciation	(386)	(363)	(712)
Closing net book value	2,863	3,598	3,249

17. Trade and Other Receivables

	As at 31 Jan 2021	As at 31 Jan 2020	As at 31 Jul 2020
	£'000	£'000	£'000
Trade receivables	22,736	19,445	17,979
Other receivables and prepayments	1,084	830	516
	23,820	20,275	18,495

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

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date.

18. Trade and Other Payables

	As at 31 Jan 2021	As at 31 Jan 2020	As at 31 Jul 2020
	£'000	£'000	£'000
Trade payables	12,376	9,189	10,768
Accruals	8,810	5,843	6,304
Other taxes and social security	1,699	899	542
	22,885	15,931	17,614

Trade payables principally consist of amounts outstanding for trade payables and ongoing costs. They are non-interest bearing and are normally settled on 30 to 60 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 both 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 time frame and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

19. Borrowings

	As at 31 Jan 2021 £'000	As at 31 Jan 2020 £'000	As at 31 Jul 2020 £'000
Current			
Bank overdraft and invoice discounting	-	5,145	-
Import loans	4,124	4,433	3,903
	4,124	9,578	3,903
Less: Unamortised debt issue cost	(112)	(78)	-
	4,012	9,500	3,903
Non-current			
Revolving credit facility	-	1,755	225
	-	1,755	225
Less: Unamortised debt issue cost	-	(98)	(136)
	-	1,657	89
Total borrowings	4,012	11,157	3,992

The earliest that lenders of the above borrowings require repayment is as follows:

In less than one year	4,124	9,578	3,903
Between one and two years	-	-	-
Between two and five years	-	1,755	225
Less: Unamortised debt issue cost	(112)	(176)	(136)
	4,012	11,157	3,992

The Group is funded by external bank facilities provided by HSBC comprising a revolving credit facility of £8.2 m and an invoice discounting facility of £23.5 m, both running to 2024, along with an import loan facility of £8.7 m which is subject to annual review.

20. Lease Liabilities

The Group's lease portfolio comprises its principal properties along with certain other fixtures, fittings and equipment.

The following tables show the discounted lease liabilities included in the Group balance sheet and a maturity analysis of the contractual undiscounted lease payments:

	As at 31 Jan 2021 £'000	As at 31 Jan 2020 £'000	As at 31 Jul 2020 £'000
Lease liabilities less than one year	774	669	710
Lease liabilities greater than one year	2,428	3,165	2,804
	3,202	3,834	3,514

Maturity analysis – contractual undiscounted lease payments

	As at 31 Jan 2021	As at 31 Jan 2020	As at 31 Jul 2020
	£'000	£'000	£'000
Within one year	841	767	791
Greater than one year but less than two years	827	842	837
Greater than two years but less than five years	937	1,588	1,260
Greater than five years but less than ten years	840	900	930
	3,445	4,097	3,818

21. Financial Instruments

a) Principal financial instruments

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

	As at 31 Jan 2021	As at 31 Jan 2020	As at 31 Jul 2020
	£'000	£'000	£'000
Trade receivables	22,736	19,445	17,979
Derivative financial instruments - assets	117	216	53
Trade and other payables	21,186	15,032	17,072
Derivative financial instruments - liabilities	1,079	383	1,342
Borrowings	4,012	11,157	3,992
Lease liabilities	3,202	3,834	3,514
Cash and cash equivalents	2,624	124	329

b) Financial assets

The Group held the following financial assets at amortised cost:

	As at 31 Jan 2021	As at 31 Jan 2020	As at 31 Jul 2020
	£'000	£'000	£'000
Cash and cash equivalents	2,624	124	329
Trade receivables	22,736	19,445	17,979
	25,360	19,569	18,308

c) Financial liabilities

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

	As at 31 Jan 2021	As at 31 Jan 2020	As at 31 Jul 2020
	£'000	£'000	£'000
Trade payables	12,376	9,189	10,768
Borrowings	4,012	11,157	3,992
Lease liabilities	3,202	3,834	3,514
Other payables	8,810	5,843	6,304
	28,400	30,023	24,578

d) Derivative financial instruments

The Group held the following derivative financial instruments, classified as fair value through profit and loss on initial recognition:

	As at 31 Jan 2021 £'000	As at 31 Jan 2020 £'000	As at 31 Jul 2020 £'000
Forward currency contracts	(1,001)	(173)	(1,335)
Interest rate caps	27	22	53
Interest rate swaps	12	(16)	(7)
	(962)	(167)	(1,289)

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

	As at 31 Jan 2021 £'000	As at 31 Jan 2020 £'000	As at 31 Jul 2020 £'000
Trade receivables	22,736	19,445	17,979
Prepayments and other receivables not classified as financial instruments	1,084	830	516
Trade and other receivables (note 17)	23,820	20,275	18,495

	As at 31 Jan 2021 £'000	As at 31 Jan 2020 £'000	As at 31 Jul 2020 £'000
Trade and other payables	21,186	15,032	17,072
Other taxes and social security not classified as financial instruments	1,699	899	542
Trade and other payables (note 18)	22,885	15,931	17,614

Derivative financial instruments – Forward contracts

The Group mitigates the exchange rate risk for certain foreign currency trade debtors and creditors by entering into forward currency contracts. At 31 January 2021, the Group was committed to buy US\$43,350,000, to sell €23,025,000, buy CNY 5,315,000 and to sell CA\$235,000, paying and receiving respectively a fixed sterling amount (31 January 2020 – to buy US\$30,350,000, to sell €19,050,000, to buy CNY 7,094,000 and to sell CA\$50,000; 31 July 2020 – to buy US\$32,100,000, to sell €23,025,000, to buy CNY 6,231,000 and to sell CA\$nil). At 31 January 2021, all the outstanding USD, EUR and CAD contracts mature within 12 months of the period end (31 January 2020 – 12 months; 31 July 2020 – 12 months). The CNY currency 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:CNY and GBP:CAD. The fair value of the contracts at 31 January 2021 is a liability of £999,000 (31 January 2020 – £173,000 liability; 31 July 2020 – £1,335,000 liability).

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

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 of the financial statements for the year ended 31 July 2020.

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 January 2021, protection was in place over an aggregate principal of £13,560,000 (31 January 2020 – £13,957,000, 31 July 2020 – £15,600,000).

All of the interest rate swaps meet the conditions for hedge accounting, as set out in the accounting policies contained in the financial statements for the year ended 31 July 2020.

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

22. Related Party Transactions

	6 months ended 31 Jan 2021 £'000	6 months ended 31 Jan 2020 £'000	Year ended 31 Jul 2020 £'000
Transactions with related companies and businesses:			
Lease payments to Heron Mill Limited	143	143	285
Lease payments to Berbar Properties Limited	45	90	135

Statement of Directors' Responsibilities

The Directors confirm that these consolidated condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, as adopted from time to time by the European Commission, in accordance with Regulation (EC)No 1606/2002 as it applied in the European Union. The interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

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

The Directors of UP Global Sourcing Holdings plc are listed on pages 48 to 51 of the Group's Annual Report for the year ended 31 July 2020, which is available on the Group's website, www.upgs.com.

For and on behalf of the Board of Directors

Andrew Gossage
Managing Director
29 April 2021

Graham Screawn
Chief Financial Officer
29 April 2021