

UNIVERSAL PARTNERS LIMITED
(Incorporated in the Republic of Mauritius)
(Registration number: 138035 C1/GBL)
SEM share code: UPL.N0000
JSE share code: UPL
ISIN: MU0526N00007
("Universal Partners" or "UPL" or "the Company")



SUMMARISED UNAUDITED FINANCIAL STATEMENTS FOR THE QUARTER AND SIX MONTHS ENDED 31 DECEMBER 2022

Universal Partners has a primary listing on the Official Market of the Stock Exchange of Mauritius Ltd ("SEM") and a secondary listing on the Alternative Exchange of the JSE Limited ("JSE").

PRINCIPAL ACTIVITY

The principal activity of the Company is to hold investments in high quality, growth businesses across Europe, with a focus in the United Kingdom ("UK"). The Company's investment mandate also allows up to 20% of total funds at the time an investment is made to be invested outside the UK and Europe.

The Company's primary objective is to achieve strong capital appreciation in Pounds Sterling ("GBP") over the medium to long-term by investing in businesses that meet the investment criteria set out in the Company's investment policy.

In its ordinary course of business, the Company continually assesses various opportunities for new acquisitions as well as disposals of assets in its portfolio.

BUSINESS REVIEW

Since its listing on the SEM and the JSE, the Company has worked closely with its investment advisor, Argo Investment Managers ("Argo"), to identify potential investments that meet its investment criteria.

An update on investments held at the reporting date is presented below.

Dentex Healthcare Group Limited ("Dentex") www.dentexhealth.co.uk

Dentex is a dental consolidation group that focuses on acquiring dental practices in the UK. Dentex has grown from 3 practices when UPL first invested to 154 practices in January 2023.

As per the announcement released on 25 August 2022, Dentex's shareholders have entered into definitive transaction agreements with Portman Dental Care ("Portman"), resulting in the merger of Dentex with Portman (the "Transaction").

The only condition precedent outstanding is Competition and Markets Authority's ("CMA") approval in the UK. The CMA announced its Phase 1 decision on 3 February 2023, confirming, as expected, that there are no competition concerns at a national level but that there is a realistic prospect of a substantial lessening of competition in certain local areas. Dentex and Portman waived their right to certain procedural steps, including a case review and requested that the CMA proceed directly to a consideration of undertakings in lieu of a reference to an in-depth investigation (i.e. remedies). The CMA accepted this request. Portman and Dentex will propose remedies, specifically the disposal of certain practices in the areas where the CMA has concerns, that might be acceptable to the CMA. The CMA process is therefore progressing in line with our expectations, and the parties remain on track to complete the Transaction during the quarter ending 30 June 2023.

Consistent with the last quarter, in the short term, the Transaction will not have a material effect on the current valuation of Dentex as reflected in the Company's accounts. However, as the Transaction progresses to completion, an increase in the value of Dentex is likely.

UPL has maintained the valuation of Dentex at GBP 2.40 per share, which equates to a fair value of GBP 59.6 million.

Workwell (formerly JSA Services Limited) (“WW”)

www.workwellsolutions.com

WW is one of the fastest-growing contractor accountancy and payroll solutions companies in the UK. Their services are designed to meet the unique needs of contractors and freelancers, from one-person businesses to large employment agencies. They also create bespoke solutions for temporary labour supply chains, helping their clients navigate the complexities of contractor payroll and compliance.

In December 2022 and January 2023, UPL and certain other shareholders of WW subscribed for GBP 9 million worth of convertible loan notes (“CLN”) in WW. UPL invested GBP 5 million in the capital raise. The CLNs are convertible into equity at UPL’s election, any time before 30 June 2023. The strike price for the conversion into equity is at a 13% premium to UPL’s current carrying value of WW.

WW raised capital to fund the purchase of two additional bolt-on acquisitions. WW has now acquired 11 businesses since UPL invested in May 2018.

Whitefin Group (“**WhiteFin**”), a fast-growing international contractor management group headquartered in Barcelona, was acquired in December 2022. This acquisition reaffirms WW’s ambition to become a leading force in international contractor management, supporting customers in the deployment of temporary and permanent workforces globally. WhiteFin has established an excellent track record of managing the engagement, taxation and compliance of contract projects, both small and large, across a wide range of EU/EFTA member states, helping their clients navigate and deploy human resources in the most complex of tax jurisdictions, across a wide range of sectors.

This was followed by the acquisition of TBOS in February 2023. TBOS specialises in the provision of outsourced middle and back-office services to recruitment businesses in a similar way to WW’s existing outsourcing operations. This acquisition brings further scale to this part of the business, adding a further 130 agency relationships.

Despite a difficult operating environment, WW ended its first quarter to December marginally ahead of its budget and the business is well positioned to continue this performance as it enters the 2023 calendar year.

The valuation of WW is unchanged at GBP 32.3 million and the CLN is stated at its cost of GBP 5 million.

SC Lowy Partners (“SC Lowy”)

www.sclowy.com

SC Lowy is a specialist financial group covering high-yield and distressed debt market-making and investment management. SC Lowy also owns 2 banks – Solution Bank in Italy and Choeun Savings Bank in South Korea.

The quarter to 31 December 2022 saw a marked improvement in the performance of the flagship Primary Investments (“**PI**”) fund, with a net positive return of 2.6% for the quarter. The PI fund delivered a total return of -2% for the 12 months to end December 2022, its first ever year of negative performance since inception 12 years ago. While this is a somewhat disappointing result, the fund outperformed most of its peers and its benchmark. The PI fund has had a strong start to 2023 and market conditions are looking promising. The Strategic Investment (“**SI**”) funds continued to perform well, with SI Fund 1 delivering its 10th exit and achieving a gross IRR over 20% thus far, while SI Fund 2 has achieved 3 exits and is on track to be fully deployed by June 2023. Management’s intention is to launch a new European-focused fund later in the year.

Despite difficult macro-economic conditions in South Korea, Cheoun Savings Bank performed in line with expectations. In Italy, Solution Bank has continued with its impressive turnaround and is well positioned to benefit from increased net interest margin as interest rates rise across the Eurozone.

Xcede Group (Formerly Techstream Group) (“Xcede”)

www.xcede.com

Xcede is a global recruitment specialist operating across the UK, Europe, North America, Africa and Asia. It specialises in sectors like data analytics, technology, cyber security, digital, embedded software and energy and assists clients with the placement of both permanent and contractor candidates.

As previously communicated, UPL committed to providing a further GBP 2.85 million of shareholder loan funding in September 2022. GBP 1.375 million was advanced during September, and an additional GBP 1.05 million was advanced during the last quarter ended December 2022. UPL expects to advance the remaining GBP 425,000 commitment during February 2023. The funds have been used to support the working capital in the business following significant growth in the contractor book.

Despite recessionary conditions in the UK, net fee income and trading margins continue to hold up well, but constant vigilance of these areas is being exercised. In line with the tougher trading conditions, Xcede reduced its headcount and other operating costs during the quarter, which will support profitability and cash generation in future.

Propelair

www.propelair.com

Propelair has reinvented the toilet to deliver, through its unique IP and design, one of the most water efficient, economical and hygienic systems available. The Propelair toilet utilises 1.5 litres of water per flush versus a traditional toilet that uses around 9 litres of water per flush. In addition, through its vacuum system, it significantly reduces pathogen distribution and improves health and hygiene.

As previously reported, constructive progress has been made, particularly in relation to the sale of units in the Middle East and South Africa, where they have traded ahead of budget. However, the company is still significantly behind its original business plan and, accordingly, we continue to value this investment at a nominal GBP 1.

FINANCIAL REVIEW

Interest income during the quarter of GBP 274,877 mainly comprised of interest earned from the loan to Xcede.

In addition to the interest earned from Xcede, UPL earned raising fees of GBP 21,000 for providing additional shareholder loans to Xcede during the quarter.

Dividend income of GBP 169,642 relates to an accrual raised on the preferred shares subscribed for by Universal Partners in Xcede.

The Board is of the opinion that, at the end of the quarter under review, the valuation of Xcede should remain unchanged. Accordingly, an amount equal to the dividend accrual of GBP 169,642 has been provided for during the quarter.

The Company's investment in SC Lowy is reflected at its original cost and is denominated in US Dollars ("USD"). During the quarter, the translation effect of exchange rate movements between the USD and the GBP resulted in a foreign exchange loss of GBP 1,284,471.

Management fees for the quarter amounted to GBP 584,577 incurred in terms of the investment management agreement between the Company and Argo. General and administrative expenses amounting to GBP 134,078 were incurred. The accrual for performance fees is calculated on the revaluation of the Company's investments. These fees, which are recalculated quarterly, only become payable to Argo if the Company realises the expected profit on disposal of the investments. No performance fees are payable to Argo until a successful exit of an investment has been achieved. These fees are paid as and when each investment is exited. During the quarter under review, there was a partial reversal of the accrual previously recognised, which had a positive impact on the income statement of GBP 362,670.

The Company drew down an additional GBP 5.55 million from the Rand Merchant Bank (Mauritius) facility during the quarter in order to subscribe for the CLNs in WW and advance the Xcede loans. Interest accrued on the facility for the quarter was GBP 264,585.

NET ASSET VALUE ("NAV")

The NAV per share as at 31 December 2022 was GBP 1.429 (30 June 2022: GBP 1.438).

LOSS PER SHARE

The loss per share of 2.25 pence for the quarter ended 31 December 2022 and the loss per share of 0.81 pence for the six months ended 31 December 2022 are based on a loss after tax of GBP 1,637,463 and a loss after tax of GBP 591,180 for the Company respectively. The weighted average number of shares in issue was 72,786,163.

DIVIDEND

In line with the Company's investment strategy to achieve long-term growth in NAV, dividends are not declared on a regular basis. Accordingly, no dividend has been declared for the quarter under review.

BASIS OF PREPARATION

The summarised unaudited financial statements for the quarter and six months ended 31 December 2022 (“**summarised unaudited financial statements**”) have been prepared using accounting policies consistent with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting, the SEM Listing Rules and the JSE Listings Requirements.

The accounting policies and methods of computation adopted in the preparation of these summarised unaudited financial statements are consistent with those applied in the preparation of the audited financial statements for the year ended 30 June 2022.

The directors are not aware of any circumstances or matters arising after 31 December 2022 that require any additional disclosure or adjustment to these summarised unaudited financial statements.

AUDITORS

These summarised unaudited financial statements were approved by the Board on 14 February 2023. These summarised unaudited financial statements have not been reviewed or reported on by the Company’s external auditors, Grant Thornton.

By order of the Board

15 February 2023

Intercontinental Trust Limited

Company secretary

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NOTES

Copies of these summarised unaudited financial statements are available to the public upon request to the Company Secretary at the registered office of the Company at c/o Intercontinental Trust Limited, Level 3 Alexander House, 35 Cybercity, Ebene 72201, Mauritius.

This announcement is issued pursuant to the SEM Listing Rule 12.19 and the JSE Listings Requirements.

The Board accepts full responsibility for the preparation of these summarised unaudited financial statements and for ensuring that the financial information has been correctly extracted from the underlying unaudited financial statements.

SUMMARISED UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	As at 31 December 2022 (Unaudited) GBP	As at 30 June 2022 (Audited) GBP
Assets		
Non-current assets		
Investments at fair value through profit or loss	114,401,541	109,299,990
Receivables	6,438,651	6,438,651
	120,840,192	115,738,641
Current assets		
Receivables and prepayments	6,517,698	2,059,621
Cash and cash equivalents	409,149	735,535
	6,926,847	2,795,156
Total assets	127,767,039	118,533,797
Equity		
Stated capital	72,481,860	72,481,860
Retained earnings	31,564,155	32,155,335
	104,046,015	104,637,195
Liabilities		
Non-current liabilities		
Borrowings	18,507,722	7,985,432
Current liabilities		
Payables and accruals	5,213,302	5,911,170
	5,213,302	5,911,170
Total liabilities	23,721,024	13,896,602
Total equity and liabilities	127,767,039	118,533,797
NAV per share	1.429	1.438
Number of shares in issue	72,786,163	72,786,163

SUMMARISED UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER AND SIX MONTHS ENDED 31 DECEMBER 2022

	Quarter ended 31 December 2022 (Unaudited) GBP	Quarter ended 31 December 2021 (Unaudited) GBP	Six months ended 31 December 2022 (Unaudited) GBP	Six months ended 31 December 2021 (Unaudited) GBP
Income				
Interest income	274,887	84,780	450,599	148,067
Dividend income	169,642	155,782	335,615	308,352
Other income	21,000	-	78,500	-
Total income	465,529	240,562	864,714	456,419
Expenditure				
Management fees	(584,577)	(462,888)	(1,143,335)	(976,995)
Transaction costs	-	-	-	(8,125)
Performance fees (accrued but not paid)	362,670	(1,876,163)	720,731	(1,807,840)
Interest expense	(264,585)	(48,704)	(426,641)	(115,127)
Amortisation of structuring fee	(28,309)	(4,167)	(56,618)	(60,417)
General and administrative expenses	(134,078)	(106,083)	(315,968)	(172,855)
Total expenditure	(648,879)	(2,498,005)	(1,221,831)	(3,141,359)
Operating loss	(183,350)	(2,257,443)	(357,117)	(2,684,940)
Fair value gain on remeasurement of financial assets at fair value through profit or loss	-	12,220,570	-	12,220,570
Impairment loss	(169,642)	(155,782)	(335,615)	(308,352)
Net foreign exchange (loss) / gain	(1,284,471)	(6,300)	101,552	288,605
(Loss) / profit before tax	(1,637,463)	9,801,045	(591,180)	9,515,883
Tax expense	-	-	-	-
(Loss) / profit for the quarter / period	(1,637,463)	9,801,045	(591,180)	9,515,883
Other comprehensive income				
Items that will not be reclassified subsequently to profit and loss	-	-	-	-
Items that will be reclassified subsequently to profit and loss	-	-	-	-
Other comprehensive income for the quarter / period, net of tax	-	-	-	-
Total comprehensive income for the quarter / period	(1,637,463)	9,801,045	(591,180)	9,515,883
Basic and headline (loss) / earnings per share (pence)*	Pence (2.25)	Pence 13.51	Pence (0.81)	Pence 13.13

* The loss per share for the quarter ended 31 December 2022 and loss per share for the six months ended 31 December 2022 are based on a loss after tax of GBP 1,637,463 and a loss after tax of GBP 591,180 for the Company respectively and the weighted average number of shares in issue of 72,786,163 (31 December 2021: Based on a profit after tax of GBP 9,515,883 and the weighted average number of shares in issue of 72,456,769).

There were no dilutive shares in issue. There were no reconciling items between the basic and headline earnings per share.

**SUMMARISED UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS
ENDED 31 DECEMBER 2022**

	Stated capital	Retained earnings	Total
	GBP	GBP	GBP
Balance at 1 July 2021	71,847,164	33,244,889	105,092,053
Issue of ordinary shares	634,696	-	634,696
Cash distribution	-	(15,066,825)	(15,066,825)
Transactions with shareholders	634,696	(15,066,825)	(14,432,129)
Profit for the period	-	9,515,883	9,515,883
Other comprehensive income for the quarter	-	-	-
Transactions with shareholder	-	9,515,883	9,515,883
Balance at 31 December 2021	72,481,860	27,693,947	100,175,807
Balance at 1 July 2022	72,481,860	32,155,335	104,637,195
Loss for the period	-	(591,180)	(591,180)
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	(591,180)	(591,180)
Balance at 31 December 2022	72,481,860	31,564,155	104,046,015

SUMMARISED UNAUDITED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Six months ended 31 December 2022 (Unaudited) GBP	Six months ended 31 December 2021 (Unaudited) GBP	Year ended 30 June 2022 (Audited) GBP
Operating activities			
(Loss) / profit for the period / year	(591,180)	9,515,883	13,977,271
Adjustments for:			
Fair value gain on remeasurement of investments at fair value through profit or loss	-	(12,220,570)	(19,665,967)
Impairment loss	335,615	308,352	2,657,657
Interest income accrued	(450,599)	(1,085)	(333,998)
Dividend income	(335,615)	(308,352)	(624,657)
Amortisation of structuring fee	56,618	60,417	72,916
Interest on borrowings accrued	426,641	115,127	341,093
Net foreign exchange gain	(101,552)	(288,853)	(1,505,124)
Raising fees (capitalised to loan)	(78,500)	-	-
Commitment fee payable	76,088	6,252	21,072
Net changes in working capital:			
Changes in receivables and prepayments	(5,471)	(141,279)	11,835
Changes in payables and accruals	(697,868)	(740,574)	(439,733)
Net cash flows utilised in operating activities	<u>(1,365,823)</u>	<u>(3,694,682)</u>	<u>(5,487,635)</u>
Investing activities			
Acquisition of investments	-	(10,050,000)	(10,050,000)
Subscription for convertible loan notes	(5,000,000)	-	-
Proceeds received from sale of investment	-	36,367,477	36,367,477
Loans advanced to subsidiaries	(3,925,000)	-	-
Interest received	1,494	1,085	2,367
Net cash flows (utilised in) / generated from investing activities	<u>(8,923,506)</u>	<u>26,318,562</u>	<u>26,319,844</u>
Financing activities			
Loan received	10,250,000	8,000,000	8,000,000
Loan repaid	-	(14,300,000)	(14,655,214)
Interest paid	(162,057)	(355,214)	(274,670)
Payment of structuring fee	(125,000)	(50,000)	(50,000)
Dividends paid	-	(15,066,825)	(15,066,825)
Proceeds from issue of shares	-	-	634,696
Net cash flows generated from / (used in) financing activities	<u>9,962,943</u>	<u>(21,772,039)</u>	<u>(21,412,013)</u>
Net change in cash and cash equivalents	(326,386)	851,841	(579,804)
Cash and cash equivalents at the beginning of the period / year	735,535	1,315,339	1,315,339
Effect of exchange rate changes on cash and cash equivalents	-	248	-
Cash and cash equivalents at the end of the period / year	<u>409,149</u>	<u>2,167,428</u>	<u>735,535</u>