



4 August 2015

**Mortice Limited**  
("Mortice" or the "Company")

**Proposed acquisition of UK based property services company for up to £6.5m**  
**Posting of Circular & Notice of EGM**

Mortice Limited (AIM: MORT), the AIM listed security and facilities management company, announces that it, and its wholly-owned subsidiary, Tenon Facility Management UK Limited ("**Tenon UK**"), have entered into a conditional agreement to acquire the entire issued share capital of UK based property service company Office & General Group Limited ("**O&G Group**") for a total consideration of up to £6.5m (subject to certain potential adjustments) to be satisfied in cash and shares in Mortice.

The acquisition, when completed, is expected to be immediately earnings enhancing (excluding the impact of any losses which may be incurred by Altius Property Services Limited, a subsidiary of O&G Group which is in administration, which may, on consolidation, affect the future earnings of Mortice) and is in line with Mortice's strategy, as announced on 22 April 2015, of expanding its geographical footprint and growing the business through targeted acquisitions, as well as organically.

O&G Group is an independent property service company specializing in cleaning and providing support services such as environmental solutions and built fabric maintenance in the UK. The business was founded in 1987, and is based in London, with additional offices in Manchester and Wolverhampton.

**Acquisition highlights**

- Tenon UK, a wholly-owned subsidiary of Mortice, has entered into a conditional agreement to acquire the entire issued share capital of O&G Group.
- Total consideration of up to £6.5m (subject to certain potential adjustments) to be satisfied by:
  - up to £3m payable in cash on completion, subject to certain potential adjustments;
  - 3,000,000 new ordinary shares of no par value in the capital of Mortice ("**Ordinary Shares**"), issued on Completion;
  - up to 500,000 new Ordinary Shares, to be issued on the second anniversary of completion of the acquisition ("**Completion**"), subject to potential adjustments;
- The new Ordinary Shares are subject to certain lock-in provisions.
- Tenon UK will enter into new banking arrangements with Barclays Bank PLC to finance the acquisition and to replace O&G Group's existing banking facilities.
- Completion of the acquisition is conditional upon, *inter alia*, shareholders' approval to allot the Consideration Shares at an extraordinary general meeting of the Company ("**EGM**") to be held on 31 August 2015; delivery of O&G Group's consolidated audited accounts for the financial year ended 31 March 2015 and such accounts not being materially different in any respect from the unaudited consolidated results of O&G Group for the financial year ended 31 March 2015; and the preference shares of £1 each in O&G Group having been cancelled.
- It is anticipated that the new banking facilities to replace O&G Group's existing banking facilities will be in place on completion of the acquisition.

**About O&G Group**

O&G Group is an independent property service company specializing in cleaning and providing support services such as environmental solutions and built fabric maintenance in the UK. The business was founded in 1987, and is based in London, with additional offices in Manchester and Wolverhampton.

O&G Group provides 'soft' services via commercial and office cleaning contracts. O&G Group also provides 'hard' services such as repairs and maintenance, refurbishments, redecoration and other mechanical and engineering services. O&G Group also has the capacity to offer in-house pest control services.

In addition to the core cleaning services, O&G Group offers a variety of specialist cleaning services ranging from window cleaning, supply of janitorial and washroom products, stone and marble cleaning and other deep clean and specialist tasks including the provision of waste and recycling services. O&G primarily self delivers all of its services, but has a number of specialist supply chain partners to support its activities.

O&G Group has contracts with managing agents, universities and higher education providers, and 'blue chip' commercial clients. Clients include Fedex, Steria, CBRE and a number of prominent London universities and the University of Hertfordshire.

O&G Group's unaudited results for the year ended 31 March 2015 recorded total revenues from continuing operations of £33.46m, continuing operations EBITDA of £1.27m and continuing operations pre-tax profit of approximately £0.4m.

The Sellers, Grae Scott and Jonathan Smith, are the founder and managing director respectively of O&G Group and will be retained by O&G Group after Completion as consultants.

### **Current trading of Mortice**

As announced on 18 June 2015, Mortice expects to report for its year ended 31 March 2015 EBITDA growth of c. 21.8% on the previous year to US\$4.2m and profit before tax of approximately US\$2.2m, up c. 19.2% year-on-year.

### **Notice of Extraordinary General Meeting ('EGM')**

An EGM of the Company will be held at 38 Beach Road, #29-11 South Beach Tower, Singapore 189767 on 31 August 2015 at 4.00 p.m. (Singapore time) and the resolutions to be proposed at the EGM will be set out in full in the circular (the "Circular"), which will be published and posted to shareholders today. A copy of the Circular will also be available on the Company's website: [www.morticegroup.com](http://www.morticegroup.com)

At the EGM the Company will also seek the consent of Shareholders to make certain amendments to the Company's Articles of Association, details of which will be set out in the Circular.

### **Commenting, Manjit Rajain, Executive Chairman of Mortice, said:**

*"This acquisition is the first important step in delivering on our strategy of expansion into key new geographies to complement our continued organic growth in areas such as India, Sri Lanka and Saudi Arabia. We remain focused on building a business that can continue to deliver sustainable profitable growth over the long-term and our entrance into the UK market with a well-established and profitable business like O&G Group underlines our commitment to delivering this for shareholders."*

### **Enquiries:**

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The information produced below is extracted from the Circular which will be published and posted to Shareholders today. A copy of the Circular will be available on the Company's website:

[www.morticegroup.com](http://www.morticegroup.com)

### **Introduction**

The Company announced earlier today that the Company and its wholly-owned subsidiary, Tenon UK, have entered into a conditional agreement for Tenon UK to acquire the entire issued share capital of property service company Office & General Group Limited ("**O&G Group**") from Grae Scott and Jonathan Smith for a total consideration of up to £6.5 million (subject to certain potential adjustments) to be satisfied in cash and shares in the Company.

The consideration for the Acquisition will be satisfied by the Company up to £3 million in cash (subject to certain potential adjustments) to be paid by Tenon UK on Completion and by the Company allotting and issuing an aggregate of up to 3,500,000 Consideration Shares of which 3,000,000 new Ordinary Shares (the "**Initial Consideration Shares**") shall be allotted and issued on Completion and a further 500,000 new Ordinary Shares (the "**Subsequent Consideration Shares**") shall be allotted and issued on the second anniversary of Completion.

The Initial Consideration Shares will represent 5.92 per cent. of the enlarged issued share capital of the Company at Completion. On issue of the Subsequent Consideration Shares and assuming that the Sellers have not sold any of their Consideration Shares and the Company has not issued any further Ordinary Shares the total amount of Consideration Shares in issue shall be equal to 6.84 per cent. of the enlarged issued share capital at that time.

As at the date of this document, the Company does not have authority to allot and issue the Consideration Shares and accordingly the Acquisition is conditional, *inter alia*, upon the Company obtaining approval from its Shareholders to grant the Board authority to allot the Consideration Shares and to disapply the rights of pre-emption as contained in the Articles which would otherwise apply to the issue of the Consideration Shares. The Company is also taking the opportunity to seek Shareholders' consent to make some amendments to clarify the Articles and further details of the proposed amendments are set out at Appendix A to this document.

In order to consider the Resolutions, the Company has convened an Extraordinary General Meeting for 4.00 p.m. (Singapore time) on 31 August 2015 at 38 Beach Road, #29-11 South Beach Tower, Singapore 189767. Notice of the Extraordinary General Meeting is set out at the end of the Circular.

### **Background to and reasons for the Acquisition**

On 22 April 2015, the Company announced that the Company was seeking to expand its operations in India, MEA and Europe and that it would consider not only organic growth but also acquisitions as a way of executing its strategy.

O&G Group is an independent property service company specializing in cleaning and providing support services such as environmental solutions and built fabric maintenance in the UK. The business was founded in 1987, and is based in London, with additional offices in Manchester and Wolverhampton.

O&G Group provides 'soft' services via commercial and office cleaning contracts. O&G Group also provide 'hard' services such as repairs and maintenance, refurbishments, redecoration and other mechanical and engineering services. O&G Group also has the capacity to offer in-house pest control services.

In addition to the core cleaning services, O&G Group offer a variety of specialist cleaning services ranging from window cleaning, supply of janitorial and washroom products, stone and marble cleaning and other deep clean and specialist tasks including the provision of waste and recycling services. O&G primarily self delivers all of its services, but has a number of specialist supply chain partners to support its activities.

O&G Group has contracts with managing agents, Universities and higher education providers, and 'blue chip' commercial clients. Clients include Fedex, Steria, CBRE and a number of prominent London universities and the University of Hertfordshire.

O&G Group's unaudited results for the year ended 31 March 2015 recorded total revenues from continuing operations of £33.46m, continuing operations EBITDA of £1.27m and continuing operations pre-tax profit of approximately £0.4m.

The Sellers, Grae Scott and Jonathan Smith, are the founder and managing director respectively of O&G Group and will be retained by O&G Group after Completion as consultants.

On completion, the Acquisition is expected to be immediately earnings enhancing (excluding the impact of any losses which may be incurred by Altius Property Services Limited, a subsidiary of O&G Group which is in administration, which may, on consolidation, affect the future earnings of the Company). The Directors believe that the Acquisition represents progress towards meeting the Company's strategic objectives, in particular by increasing the Group's exposure to the European markets.

### **Current Trading of the Group**

As announced on 18 June 2015, the Company expects to report for its year ended 31 March 2015 EBITDA growth of c.21.8 per cent. on the previous year to US\$4.2m and PBT of approximately US\$2.2m, up c.19.2 per cent. year-on-year.

Tenon UK will enter into new banking arrangements with Barclays Bank PLC to finance the Acquisition and to replace O&G Group's existing banking facilities. It is anticipated that the new banking facilities to replace O&G Group's existing banking facilities will be in place on Completion.

### **Terms of the Acquisition**

Under the terms of the Acquisition Agreement dated 3 August 2015 between the Sellers, Tenon UK and the Company, Tenon UK has conditionally agreed to buy O&G Group from the Sellers in consideration for up to £3 million payable in cash (subject to certain potential adjustments) on Completion and the issue of up to 3,500,000 Consideration Shares. The Initial Consideration Shares shall be allotted and issued credited as fully paid at £1 per new Ordinary Share on Completion and the Subsequent Consideration Shares shall be allotted and issued credited as fully paid at £1 per new Ordinary Share on the second anniversary of Completion. Following the issue of the Consideration Shares the Company shall apply to the London Stock Exchange for admission of the Consideration Shares to trading on AIM.

Completion of the Acquisition is conditional on, *inter alia*, (i) Shareholders approving the Resolutions; (ii) delivery of O&G Group's consolidated audited accounts for the financial year ended 31 March 2015 and such accounts not being materially different in any respect from the unaudited consolidated results of O&G Group for the financial year ended 31 March 2015; and (iii) the preference shares of £1 each in O&G Group having been cancelled pursuant to contractual arrangements entered into with the holder of such shares. If the conditions of the Acquisition Agreement are not satisfied or (where applicable, waived) by 15 September 2015 or such later date as may be agreed in writing between the Sellers and Tenon UK, then the parties may either elect to delay completion of the Acquisition on a daily basis until all conditions are satisfied or waived or rescind the Acquisition Agreement.

Each Seller has undertaken that for a period of 36 months from Completion he will not dispose of, or create an encumbrance over, the Consideration Shares (or any interest in them) (the "**Lock-In Provisions**") except in the following circumstances:

- at any time before the second anniversary of Completion, each Seller may dispose of up to 50% of his own Initial Consideration Shares provided that in order to maintain an orderly market the disposal takes place through the Company's broker at the time. However, before any such disposal through the Company's broker, Tenon UK will have 15 business days to elect whether it wishes to nominate any other person to acquire such Consideration Shares;

- on the second anniversary of the Completion Date, each Seller shall be required to sell 66.66% of the Consideration Shares, less any Initial Consideration Shares already disposed of and the Subsequent Consideration Shares, to such person Tenon UK nominates and Tenon UK shall procure that such person buys such Consideration Shares at a price of £1.00 per Consideration Share; and
- on the third anniversary of the Completion Date, each Seller shall be required to sell all of his remaining Consideration Shares to such person as Tenon UK nominates and Tenon UK shall procure the such person buys such Consideration Shares at a price of £1.00 per Consideration Share.

On completion of the Acquisition, Manjit Rajain, the executive chairman of the Company, will undertake to each of the Sellers to guarantee (in his personal capacity) the payment to them of the consideration due to each of them for the sale of their Consideration Shares on the second and third anniversaries of the Completion Date as outlined above in the event that Tenon UK defaults in procuring payment by the person(s) nominated by it as the buyer(s) of such Consideration Shares and Tenon UK itself is unable to make the payment.

The Lock-In Provisions shall also not apply in relation to (i) the acceptance of an offer (or the giving of an irrevocable commitment) made in accordance with the Singapore Code and which is either recommended by the Board or is declared unconditional in all respects; (ii) a buy back of Ordinary Shares by the Company; or (iii) the prior written consent of the Company provided that the disposal takes place via the Company's broker for the time being.

Furthermore, the Acquisition Agreement provides that the Sellers may sell Initial Consideration Shares via the Company's broker for the time being to satisfy any claim or indemnity arising from the commitments made by the Sellers under the terms of the Acquisition Agreement provided that, the entire proceeds of such a sale shall be applied to satisfying the claim.

The Acquisition Agreement contains warranties, indemnities and a tax covenant given by the Sellers in favour of Tenon UK regarding O&G Group.

## **DEFINITIONS**

"Acquisition"	the acquisition of the entire issued share capital of the O&G Group;
"Acquisition Agreement"	the conditional agreement dated 3 August 2015 between the Sellers, Tenon UK and the Company;
"AIM"	a market operated by the London Stock Exchange;
"Board" or "Directors"	the directors of the Company;
"Company"	Mortice Limited;
"Completion"	completion of the Acquisition Agreement in accordance with its terms;
"Consideration Shares"	the Initial Consideration Shares and the Subsequent Consideration Shares;
"EBITDA"	earnings before interest, taxes, depreciation and amortization;

"Extraordinary General Meeting"	the general meeting of the Company convened for 31 August 2015 (and any adjournment thereof);
"Group"	the Company and its Subsidiaries from time to time;
"Initial Consideration Shares"	3,000,000 Ordinary Shares, in aggregate, to be issued to the Sellers credited as fully paid;
"London Stock Exchange"	London Stock Exchange plc;
"Ordinary Shares"	ordinary shares of no par value in the capital of the Company;
"PBT"	profit before tax;
"Resolutions"	the resolutions set out in the notice of Extraordinary General Meeting;
"Sellers"	Grae Scott and Jonathan Smith;
"Shareholders"	holders of Ordinary Shares;
"Singapore Code"	Singapore Code on Takeovers and Mergers;
"Subsequent Consideration Shares"	500,000 Ordinary Shares, in aggregate, to be issued to the Sellers credited as fully paid;
"Subsidiary"	as defined in section 1159 of the UK Companies Act 2006;
"Tenon UK"	Tenon Facility Management UK Limited, a wholly owned subsidiary of the Company.