22 December 2015

Mortice Limited

("Mortice", the "Company" or the "Group")

Results for the Half Year-ended 30 September 2015

Mortice Limited (AIM: MORT), the AIM listed security and facilities management company, announces its unaudited results for the half year ended 30 September 2015.

Financial results highlights:

- Revenues grew by 19% to $51m (HY 2014: $42.9m)
  - Security services revenue increased 12% to $34.5m (HY 2014: $30.7m)
    - Accounting for 68% of group revenues
  - Facilities Management services revenue grew 36% to $16.5m (HY 2014: $12.1m).
- EBITDA decreased by 40% $1.28m (HY 2014 $2.14m)
- Profit before taxation fell by 76% to $0.31 m (HY 2014: $1.31m) reflecting:
  - $750k of non-recurring items due to acquisition related expenses and $100K non-operational historical expenses of O&G.
  - A focus on further sales and marketing opportunities
  - The Company's acquisition

Operational highlights:

- 150 new clients added during the period including Delhivery, Cairn India, Deutsche Bank, Mercedes Benz R&D Center, SPML, Vedanta, Minacs, Royal Enfield, American Embassy School, Samsung India Pvt Ltd and PVR Limited
- Addition of 56 staff
- More than 85 % of income came from repeat business
- Operating through Delhi , Mumbai & Bangalore
- In Facility Management the Company increased its scope in Industrial cleaning through JSPL and Vedanta
- Acquisition of the entire issued share capital of UK based property service company Office & General Limited for a total consideration of up to £6.3m in cash and shares

Post-period end highlights:

- Acquisition of 51% stake of Frontline Security Pte. Ltd. ("Frontline Security"), a company incorporated in Singapore for a maximum consideration of £1.89m in cash

Major Manjit Rajain, Executive Chairman of Mortice Limited, said:

"Having grown its client base and geographic reach during the period the Company is well-placed to grow. The investment and acquisition that were made are expected to enhance performance during the second half as the Company takes advantage of its increased scale and enhanced operations base. With a strong pipeline of sales and high levels of repeat business from existing clients the Company looks forward to updating the market with further developments during the second half."

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Chairman's Statement

Overview

The Company continued to make strong progress, with organic growth driving sales, while its acquisition strategy which contributed to the 56 new staff added during the period, broadened its geographic reach and helped establish solid foundations for further growth.

While profitability during the period was impacted by the investment in the Company's new business line, the expenses associated with a focus on further sales and marketing opportunities and the commencement of the Company's acquisition strategy, the Company will benefit from increased efficiency though automation via enterprise resource planning implementation and the establishment of operations in new territories.

The acquisition strategy commenced with the £6.3m purchase of UK-based property services company Office & General Group Limited ("O&G Group"). Given the timing of completion, there is less than a month of O&G Group's financial results consolidated within the Group's results for the period. The Board believe that O&G Group will commence contributing to The Group's sales more materially during the second half. O&G Group has certain legacy costs associated with depreciation and amortization, which though only notional in nature, have impacted profit levels achieved during the period. As such, non-recurring costs associated with the transaction totaled around $750,000 and in addition O&G has incurred a non – operational historical cost of approx. $100,000.

The post period addition of a 51% stake in Singapore-based provider of security services and products company Frontline Security Pte. Ltd. ("Frontline Security") for £1.89m further enhanced the Company's geographic reach and enables it to take advantage of wider global trends.

The Company's continued focus on both organic and acquisitive growth has started yielding results. The completion of two acquisitions in two different countries has increased operational capability by gaining improved knowledge, process, and relationship and management bandwidth.

The Company's traditional India-based guarding and facilities management arms continued to trade strongly with business optimism continuing to grow and foundations in place to continue building on the momentum achieved last year.

As such, the Company was able to add 150 new clients during the period including Delhivery, Cairn India, Deutsche Bank, Mercedes Benz R&D Center, SPML, Vedanta, Minacs, Royal Enfield, American Embassy School, Samsung India Pvt Ltd and PVR Limited.

India continues to be the fastest growing economy in its local region and the expected GDP growth for the next year is likely to be more than 7.5%. The Government's increased focus on infrastructure and reforms will further accelerate the growth, though reforms are a little slower than initially expected. The strong political stability will provide high impetus to growth. Furthermore, a slowdown of the Chinese economy will make India a very active investment destination, which should help to further enhance the Company's growth opportunities.

Results

Revenues grew by 19% to $51m (H1 2014: $42.9m) during the period while profits before taxation fell to $0.31 (HY 2014: $1.31m) reflecting the Company's acquisition and investment during the period. As a result of the investment made, cash balances at the period end were $1.9m ($0.53m as at 31 March 2015).

The Company's cost base grew during the period, reflecting the focus on further sales and marketing opportunities. While the acquisition of O&G also impacted financial performance these actions have helped the Company create a platform for continued growth.

The majority of revenues (68%) came from the Security Services division with the Company winning a number of new clients across the board. This division also benefited from the creation of a new business line, catering to E Commerce business of India operating through Delhi, Mumbai & Bangalore which recorded an average operating margin of 30 % in the First phase.

Additionally revenues from existing customers also grew as new sites were added and the Company continued to benefit from high levels of repeat business which accounted for more than 85% of revenues.

The security and facility management business continues to be fragmented but it has started showing signs of maturing. Clients are more informed now and they are able to appreciate the services provided by established service providers. This trend is helping to differentiate the premium service providers and as such the Company is benefiting from the fact that a growing number of premium businesses are opting to utilise Peregrine and Tenon.

The Company's proactive security surveillance business Soteria now has five clients including large corporates as well as a Government contract. It continues to progress towards being cash positive. This state of the art technology will be the future of security industry will supplement the services offered by man guarding with greater reliability and at a lesser cost.

The Company is still building critical mass in its facilities management division which is continuing to be competitive and gain volume. While this division also benefited from increasing its scope in Industrial cleaning through JSPL and Vedanta, there is still a slight momentary pressure on earnings.

Outlook

Having grown its client base and geographic reach during the period the Company is well-placed to grow. The investments that were made are expected to enhance performance during the second half as the Company takes advantage of its increased scale and enhanced operations base. With a strong pipeline of sales and high levels of repeat business from existing clients the Company looks forward to updating the market with further developments during the second half.

Manjit Rajain
Chairman

22 December 2015

The unaudited interim financial statements will be available on the Company's website: www.morticegroup.com.

Junaudited condensed consolidated statement of financial position

(All amounts in United States Dollars, unless otherwise stated)

	As at 30 September 2015 (Unaudited)	**As at 30 September 2014 (Unaudited)**	**As at 31 March 2015 (Audited)**
Assets			
Non-current			
Goodwill	**14,396,982**	823,945	811,079
Other intangible assets	**369,911**	47,284	266,710
Property, plant and equipment	**3,223,707**	1,802,531	2,014,050
Long-term financial assets	**924,672**	1,237,282	-
Deferred tax assets	**1,900,718**	1,632,863	19,01,826
Other non-current assets	**214,966**	189,472	2,12,508
Non-current assets	**21,030,956**	**5,733,377**	**62,72,563**
Current			
Short-term financial assets	**-**	-	1,066,390
Inventories	**3,273,451**	244,921	195,526
Trade and other receivables	**30,076,751**	22,750,281	241,27,503
Current tax assets	**2,281,008**	1,747,917	2,156,476
Cash and cash equivalents	**1,899,289**	763,258	539,204
Current assets	**37,530,499**	**25,506,377**	**28,085,099**
Total assets	**58,561,455**	**31,239,754**	**33,291,272**
Equity and liabilities			
Equity			
Share capital	**14,097,313**	9,555,312	9,555,312
Reserves	**327,331**	497,657	9,63,209
Equity attributable to owners of the parent	**14,424,644**	10,052,969	105,18,521
Non-controlling interests	**30,764**	25,984	29,121
Total equity	**14,455,408**	**10,078,953**	**10,547,642**
Liabilities			
Non-current			
Employee benefit obligations	**1,082,252**	1,186,711	1,381,446
Borrowings	**8,572,062**	394,277	364,179
Other liabilities	**757,000**	-	-
Non–current liabilities	**10,411,314**	**1,508,988**	**1,745,625**
Current			
Trade and other payables	**25,866,325**	13,078,853	13,901,054
Borrowings	**7,828,408**	6,500,960	7,096,951
Current liabilities	**33,694,733**	**19,579,813**	**20,998,005**
Total liabilities	**44,106,047**	**21,160,801**	**22,743,630**
Total equity and liabilities	**58,561,455**	**31,239,754**	**33,291,272**

The annexed notes form an integral part of and should be read in conjunction with these condensed consolidated financial statements.

Unaudited condensed consolidated statement of profit or loss

(All amounts in United States Dollars, unless otherwise stated

	Six months ended 30 September 2015 (Unaudited)	Six months ended 30 September2014 (Unaudited)
Income		
Service revenue	**51,024,435**	42,918,878
Other income	**166,980**	59,718
Total income	**51,191,415**	42,978,596
Expenses		
Staff and related costs	**45,462,400**	38,369,401
Materials consumed	**1,222,048**	400,307
Other operating expenses	**3,215,415**	2,018,779
Depreciation and amortization	**380,969**	266,876
Finance costs	**597,003**	609,441
Total expenses	**50,877,835**	41,664,804
Profit before taxation	**313,580**	1,313,792
Tax expense	**406,057**	535,065
(Loss)/profit for the period	**(92,477)**	778,727
Other comprehensive income:		
Items that will be reclassified subsequently to profit or loss		
Exchange difference on translating foreign operations	**(541,758)**	(265,875)
Total comprehensive (loss)/income for the year net of tax	**(634,235)**	512,852
(Loss)/Profit for the period attributable to:		
- Owners of the parent	**(96,852)**	774,085
- Non-controlling interest	**4,375**	4,642
	(92,477)	778,727
Total comprehensive (loss)/profit attributable to:		
- Owners of the parent	**(635,878)**	**509,795**
- Non-controlling interest	**1,643**	**3,057**
	(634,235)	**512,852**
Earnings per share: Basic and diluted	**(0.00)**	**0.02**

(The annexed notes form an integral part of and should be read in conjunction with these condensed consolidated financial statements.)

Unaudited condensed consolidated statement of changes in equity

(All amounts in United States Dollars, unless otherwise stated)

	Share capital	Exchange translation reserve	Retained earnings	Total attributable to owners of the parent	Non-controlling interest	Total equity
Balance as at 1 April 2015	**9,555,312**	**(3,193,804)**	**4,157,013**	**10,518,521**	**29,121**	**10,547,642**
Issue of share capital	**4,542,001**	**-**	**-**	**4,542,001**	**-**	**4,542,001**
Profit for the period	**-**	**-**	**(96,852)**	**(96,852)**	**4,375**	**(92,477)**
Other comprehensive income:						
-Exchange differences on translating foreign operations	**-**	**(539,026)**	**-**	**(539,026)**	**(2,732)**	**(541,758)**
Total comprehensive income for the period	**-**	**(539,026)**	**(96,852)**	**(635,878)**	**1,643**	**(6,34,235)**
Balance as at 30 September 2015	**14,097,313**	**(3,732,830)**	**4,060,161**	**14,424,644**	**30,764**	**14,455,408**
Balance as at 1 April 2014	9,555,313	(2,765,788)	2,753,650	9,543,174	22,927	9,566,101
Issue of share capital	-	-	-	-	-	-
Profit for the period	-	-	774,085	774,085	4,642	778,727
Other comprehensive income						
-Exchange differences on translating foreign operations	-	(264,290)	-	(264,290)	(1,585)	(265,875)
Total comprehensive income for the period	-	(264,290)	774,085	509,795	3,057	512,852
Balance as at 30 September 2014	**9,555,313**	**(3,030,078)**	**3,527,735**	**10,052,969**	**25,984**	**10,078,953**

The annexed notes form an integral part of and should be read in conjunction with these condensed consolidated financial statements.

Unaudited condensed consolidated statements of cash flows

(All amounts in United States Dollars, unless otherwise stated)

	Six months ended 30 September 2015 (Unaudited)	Six months ended 30 September 2014 (Unaudited)
(A) Cash flow from operating activities		
Profit before taxation	**313,580**	1,313,792
Adjustments for:		
Depreciation and amortization	**380,969**	266,876
Interest expense	**597,003**	609,441
Interest income	**(13,567)**	(50,028)
Impairment of trade receivables	**208,598**	44,857

Foreign exchange (gain)/loss	**(29,864)**	2,583
Profit on sale of asset	**(3,774)**	(2,625)
Bad debts written off	**17,526**	2,800
Operating profit before working capital changes	**1,470,471**	2,187,696
Increase in trade and other receivables	**(2,367,762)**	(1,846,989)
Decrease/(increase) Inventories	**79,622**	(97,907)
Decrease in trade and other payables	**688,403**	2,062,139
Cash generated from operations	**(129,266)**	2,304,939
Income tax paid	**(731,476)**	(793,708)
Interest paid	**(806,750)**	(801,076)
Net cash (used in)/generated from operating activities	**(1,667,492)**	710,155
(B) Cash flow from investing activities		
Acquisition of plant, property and equipment	**(349,824)**	(434,690)
Withdrawal of fixed deposits	**94,383**	777,232
Acquisition of subsidiary (net of cash)	**(4,317,053)**	-
Acquisition of other intangible assets	**(118,714)**	-
Deposit for purchase of property	**(12,941)**	-
Proceeds from sale of plant, property and equipment	**18,574**	2,625
Interest received	**230,270**	193,057
Net cash (used in)/generated from investing activities	**(4,455,305)**	538,224
(C) Cash flows from financing activities		
Repayment of finance lease obligation	**(105,495)**	(78,108)
Proceeds/(repayments) from borrowings (net)	**7,634,516**	(1,452,739)
Net cash generated/(used in) from financing activities	**7,529,021**	(1,530,847)
Net increase/(decrease) in cash and cash equivalents	**1,406,224**	(282,468)
Cash and cash equivalents at the beginning of the period	**539,204**	1,064,942
Effect of change in exchange rate on cash and cash equivalents	**(46,139)**	(19,216)
Cash and cash equivalents at the end of the period	**1,899,289**	763,258

Notes to unaudited condensed consolidated interim financial statements

1. Introduction

Mortice Limited ('the Company' or 'Mortice') was incorporated on 9 January 2008 as a public limited Company in the Republic of Singapore. The Company's registered office is situated at 36 Robinson Road, #17-01 City House, Singapore 068877.

The Company was listed on the Alternative Investment Market (AIM) of the London Stock Exchange on 15 May 2008. The Company together with its subsidiaries (hereinafter, together referred to as 'the Group') is engaged in providing services such as guarding services, facilities management services, mechanical and engineering maintenance services, installation of safety equipment and sale of such equipment. The Group's operations are spread across India. The various entities comprising the Group have been defined below.

Name of subsidiaries	Country of incorporation	Effective group Shareholding %
Tenon Property Services Private Limited ('Tenon Property')	India	99.48
Peregrine Guarding Private Limited ('PGPL')	India	99.48
Tenon Support Services Private Limited ('Tenon Support')	India	99.48
Tenon Project Services Private Limited ('Tenon Project')	India	99.48
Roto Power Projects Private Limited ('Roto')	India	99.43
Soteria Command Center Private Limited ('Soteria')	India	100
Tenon Property Services Lanka (Private) Limited	Sri Lanka	100
Tenon Facility Management UK Limited	UK	100
Office & General Group Limited	UK	100

These unaudited condensed consolidated financial statements were approved by the Board on ___________.

The immediate and ultimate holding company is Mancom Holdings Limited, a company incorporated in British Virgin Islands.

2. Basis of preparation

These condensed consolidated interim financial statements are for the six months ended 30 September 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union (EU), on a going concern basis. They do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2015.

The functional currency of the entities within the Group (other than the subsidiaries in Sri Lanka and United Kingdom) is Indian Rupees ('INR'). The functional currency of subsidiary in Sri Lanka is Sri Lankan Rupees and in United Kingdom is GBP. The Company has a functional currency of United States Dollars ('US$'). The group's management has chosen to present the consolidated financial information in US$, the functional currency of the Company.

All inter-company transactions and balances are eliminated on consolidation and the unaudited condensed consolidated interim financial statements reflect external transactions only. The accounting periods of the subsidiaries are coterminous with that of the Company.

Previous period's amounts have been regrouped/ reclassified, wherever considered necessary to make them comparable with those of the current period.

3. Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 March 2015.

4. Estimates

When preparing the interim financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgments, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's most recent annual financial statements for the year ended 31 March 2015.

5. Significant events and transactions

On 6 September 2015, the Group acquired 100% share capital and voting rights of Office & General Group Limited (O&G), UK's leading independent Facility Management service company for a purchase consideration of $ 9,731,993 (£ 6,428,000) and have allocated the total purchase price to the fair value of assets acquired and liabilities assumed based on their fair values at the acquisition date, with amounts exceeding fair values $ 13,624,778 (£ 8,999,191) recorded as goodwill. The purchase price allocation is preliminary and is subject to additional adjustments. The purchase price allocation will be finalised during the audit for the year ending March 31, 2016. The management believes that the impact on account of the pending finalization of the purchase price allocation is not material for the purposes of this half yearly accounts.

6. Segment reporting

The Group has reported segment results based on internal management reporting information that is regularly reviewed by the Group's Chief Executive Officer and Chairman. Chief Executive Officer and Chairman have concluded that the operating segment disclosure should be based on service offered by Group.

The reportable segments identified by the group are: guarding services and facility management services.
The revenue and profit generated by each of Group's business segments are summarized as follows:

1 April 2015 to 30 September 2015				
	Guarding	Facility Management	Others	**Total**
Revenue				
From external customers	34,523,975	16,462,756	37,704	51,024,435
Segment operating profit	1,193,948	(86,985)	(101,683)	1,005,280
Total segment assets	24,449,324	26,391,136	428,094	51,268,554
Total segment liabilities	17,516,322	17,423,246	1,104,889	36,044,457

1 April 2014 to 30 September 2014				
	Guarding	Facility Management	Others	**Total**
Revenue				
From external customers	30,662,957	12,136,704	119,217	42,918,878
Segment operating profit	1,615,836	(91,721)	(169,108)	1,355,007
Total Segment assets	20,579,681	10,956,975	(318,724)	31,217,932
Segment liabilities	15,077,408	5,914,007	73,921	21,065,336

The Group's segment operating profit reconciles to the Group's profit before tax as presented in its financial statements as follows:

	Six months ended	**Six months ended**

	30 September 2015	30 September 2014
Segment operating profit before tax	**1,005,280**	1,355,007
Reconciling items:		
Other income not allocated	**166,980**	59,718
Other expense not allocated (Mortice Limited and Tenon Facility Management UK Limited)	**(858,680)**	(100,935)
Group before tax	**313,580**	1,313,792

7. **Property, plant and equipment -** The acquisitions of property, plant and equipment, for the six months ended 30 September 2015 are US$373,358 excluding property, plant and equipment acquired under business combination (six months ended 30 September 2014: US$521,030 and for the twelve months ended 31 March 2015 are US$1,044,164).

8. **Earnings per share**

Both basic and diluted earnings per share have been calculated using the profit or loss attributable to shareholders of Mortice Limited as the numerator.

Calculation of basic and diluted profit per share is as follows:

	Six months ended 30 September 2015	**Six months ended 30 September 2014**
Earnings attributable to equity holders (US$)	(96,852)	774,085
Weighted average number of ordinary shares outstanding for basic & diluted earnings per share	**48,109,837**	47,700,001
Basic and diluted earnings per share (US$)	**(0.00)***	0.02

**rounded off to two decimal places*

RELATED PARTY TRANSACTIONS

9. **Related party relationship**

Disclosure of Related parties and relationship between the parties:

Ultimate Holding Company	Mancom Holdings Limited
Entities on which KMP exercise significant influence: (where transaction occured)	Peregrine Services Private Limited Micro Azure Computers Private Limited Peregrine Protection Services Private Limited
Key Management Personnel (KMP's)	Manjit Rajain Rajan Oberoi Sangram Dhar
Relative of Key Management Personnel	Angad Rajain

Related parties key management and entities in which the key management has interest or control.
Significant related party transactions, other than those disclosed elsewhere in the financial statements, are as follows:

Transaction with key management:

Particulars	**2015 US$**	2014 US$
Remuneration - short-term benefits	**446,669**	278,082

The outstanding balance payable to related parties under the category of key management as at 30 September 2015 and 30 September 2014 is US$ 47,115 and US$ 31,735 respectively. These have been included under salaries payable under Note 16.

The Group	**2015 US$**	2014 US$
Key management personnel and their relatives		
Office rental paid to key management personnel	**99,406**	84,431
Advance rent paid to key management personnel	**-**	18,073
Deposits given to key management personnel	**63,886**	68,167
Loan given/(taken) to key management personnel	**9,793**	48,587
Loan repaid to key management personnel	**-**	175,223
Receivable from key management personnel	**53,437**	116,754
Entities over which key management are able to exercise control:		
Deposits given to related party	**65,412**	212,809
Operating expenses paid on behalf of related party	**(7,757)**	(12,070)
Recovery of advances from related party	**137,187**	14,103
Advance rent given to related party	**-**	-
Office rental paid to related party	**-**	72,369
Commission paid to related party	**17,904**	19,106
Receivable from related party	**151,934**	299,423

10 FINANCIAL INSTRUMENTS
(Financials assets and liabilities measured at amortised cost)

Fair values
The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

However, the Group and the Company do not anticipate that the carrying amounts recorded at financial position date would be significantly different from the values that would eventually be received or settled.

The carrying amounts of assets and liabilities presented in the statement of financial position relates to the following categories of assets and liabilities:

	The Group	
	2015 US$	2014 US$

Non-current assets		
Loans and receivables		
Restricted cash	**924,672**	1,237,282
Current assets		
Loans and receivables		
Trade and other receivables	**29,434,783**	22,071,024
Related party receivables	**153,155**	101,995
Cash and cash equivalents	**1,899,289**	763,258
Total financial assets	**32,411,899**	24,173,559
Non-current Liabilities		
Finance lease obligations, excluding current portion	**159,218**	394,277
Long-term borrowings, excluding current portion	**8,412,844**	-
Current liabilities		
Trade payables and other payables	**20,321,070**	9,998,197
Bank overdraft	**5,604,242**	4,566,498
Current portion of finance lease obligations	**103,256**	181,599
Current portion of long term borrowing	**2,120,911**	1,752,863
Total financial liabilities	**36,721,541**	16,893,434